

Lebanese Right, Syrians Continue Beirut Fighting

BEIRUT, Feb. 10 (Reuters).—Syrian peace-keeping troops and Lebanese rightists clashed with each other again today and rightist leader Pierre Gemayel urged efforts to save Lebanon from "catastrophe."

Tank guns, mortars, rockets and heavy machine guns were used along an ill-defined front line between rightist positions in Christian eastern Beirut and western areas controlled by the Syrians. Syrians form the bulk of the 30,000-man Arab League peace force that ended the 1975-76 civil war in most parts of Lebanon 15 months ago.

Today's engagement followed a morning lull after three days of bloodshed in which more than 150 people died and many more were wounded. Shortly after noon a shell crashed into Ashrafieh in the heart of eastern Beirut.

The fighting subsided after midnight, following the pattern of the last four days.

Former President Camille Chamoun's rightist National Liberal party laid the blame for today's action on the Syrians, accusing them of "indiscriminate and intensive shelling of residential areas."

"We view it as an out-and-out provocation," a spokesman for the party said. "The Syrians have launched what looks like a predetermined policy to escalate the fighting."

The National Liberal headquarters in Ashrafieh was attacked by Syrian troops on Wednesday. Two bullets hit Mr. Chamoun's office minutes after he had left it.

Premier Selim al-Hoss announced tonight that Syrian Foreign Minister Abdel Halim Khaddam would arrive in Lebanon tomorrow at the head of a delegation from Damascus.

"God willing, there will be positive developments," the Premier said after a two-hour meeting with President Elias Sarkis.

The peace force meanwhile issued a statement saying it had set up a joint committee with the Lebanese Army command to investigate the incident that sparked the fighting on Tuesday. It said the aim would be to identify those responsible for clashes



A rightist gunman helps two men reach safety during heavy shelling in Beirut Friday.

at the Fayadieh army barracks between Lebanese and Syrian troops.

At the same time the peace force said it would continue to act against all elements trying to obstruct peace.

After a meeting of the Lebanese Front, umbrella organization for all the rightist parties

and militias, Mr. Gemayel declared: "God willing, we will be able to save the country. Otherwise the biggest catastrophe will befall all here and in the [Middle East] area."

The Lebanese Front meeting was called to discuss the outcome of talks in Damascus yesterday between a top-level Lebanese delegation and President Hafez al-Assad of Syria. Syrian troops, now fighting rightists, saved the rightists from military collapse in the closing stages of the civil war by switching support from the opposing leftist-Palestinian alliance.

The front issued a communiqué (Continued on Page 2, Col. 8)

between these standards applied in Israel and those which security considerations force Israel to apply in the territories under its control. Nevertheless, in spite of those difficulties, the government and the people of Israel are trying to apply the highest standards and their own perception of human rights everywhere and to everybody."

Under the 1976 law requiring the reports, both the administration and Congress are supposed to take rights abuses into account in allocating foreign aid. Yet, it already has become known that the administration, when it presents its fiscal 1979 aid budget to Congress, will seek to cut off military aid to only one country criticized in the reports—Nicaragua.

Several countries that have figured prominently in rights controversies—Chile, South Africa, Uganda, and the Communist nations—are not described because they do not receive U.S. aid. Of the countries covered, the reports include these points about different regions:

The Middle East and South Asia: Israel's tactics in the occupied lands are found to include "the use of extreme physical and psychological pressures during interrogations," using excessive force to quell demonstrations, searching the homes of Arabs without warrants and occasionally expelling Arabs suspected of terrorist involvement.

Elsewhere in the region, the reports cite evidence of repression and allegations of mistreatment in Morocco, Iran, Syria, Pakistan and Bangladesh. However, they add in some—potably Iran and Pakistan—conditions improved considerably during 1977.

The report on India says "human rights and democracy have been restored" in that country. Tunisia and Kuwait also are given good marks for respecting individual liberties.

East Asia and the Pacific: The Philippines government of President Ferdinand Marcos is charged with torturing political prisoners and of engaging in extensive corruption. Similarly, South Korea, despite some improvements, is found to engage in "unacceptable activities," Tass said.

"It is obvious that standing behind this action that aims to damage Soviet-Canadian relations are the special services of Canada and the forces supporting them, which systematically undertake hostile actions to complicate relations," Tass said.

Canada yesterday ordered 11 Soviet citizens—mostly diplomats—to leave the country and barred two others from returning. The 13 were charged with trying to bribe a member of the Royal Canadian Mounted Police to infiltrate the security service.

Israel Charged With Mistreating Arabs

Human Rights Abuses Around World Cited in U.S. Report

By John M. Goshko

WASHINGTON, Feb. 10 (UPI).—The State Department has told Congress in reports on human rights in 106 countries that, despite some improvements during 1977, repression and abuse of individual liberties are still widespread in most parts of the world. The reports, made public yesterday, accuse the governments of several nations closely allied to the United States—among them Iran, South Korea, the Philippines and Morocco—of allegedly denying the rights of their

people the most potentially controversial of all the reports is one on Israel. While recognizing that Israel itself is a model democracy, it charges the Israelis with mistreatment of Arab demonstrators and suspected terrorists in occupied Arab territories.

Even there, the criticism of Israel is relatively mild when compared to the picture that the reports draw of the human-rights situations in several other countries.

But the Israel report drew an especially high degree of attention because of its publication on the day following Egyptian President Anwar Sadat's departure from the United States and Israeli Foreign Minister Moshe Dayan's arrival.

That touched off a storm of speculation that the Carter administration had timed the release to embarrass Israel and put it under additional pressure to make concessions in its negotiations with Egypt about withdrawal from Arab lands.

Underlining the speculation was the fact that the report on Egypt presented a highly optimistic assessment of the rights situation there.

It lauded Mr. Sadat for greatly relaxing police-state tactics and concluded: "Egyptians today are enjoying civil and political freedoms to an unprecedented degree."

However, a State Department spokesman, Tom Reston, denied "categorically" that the timing of the release represented an administration pressure tactic against Israel.

In compliance with the 1976 law's specific instructions, the department delivered the reports on all countries receiving U.S. aid to Congress on Jan. 31. Congressional sources said the publication yesterday was determined solely by the mechanics of when the Government Printing Office was able to finish running the 426-page report off its presses.

Some government sources and human-rights activists expressed concern that the heavy attention focused on the Israel report might detract from what they regard as the real purpose of the exercise—to present a composite picture of the global human-rights situation and what it says about the Carter administration's controversial effort to make human-rights concerns a major element of U.S. foreign policy.

Even that approach to the reports drew a disclaimer from the State Department yesterday. Mr. Reston cautioned that they should not be regarded as an "overall philosophical assessment" of the human-rights scene or of the U.S. government's role in any of its recent successes or failures.

Last night, the Israeli Embassy here issued a statement noting that the report called Israel "a full-fledged parliamentary democracy whose standards are comparable to those of the United States and other Western democracies."

The statement added: "Obviously the report notes the difference

between these standards applied in Israel and those which security considerations force Israel to apply in the territories under its control. Nevertheless, in spite of those difficulties, the government and the people of Israel are trying to apply the highest standards and their own perception of human rights everywhere and to everybody."

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Kreisky Arranges Talks

Sadat to Meet Peres in Austria Saturday

SAIZBURG, Feb. 10 (Reuters).—Egyptian President Anwar Sadat will have a private meeting with Israeli opposition leader Shimon Peres in Salzburg tomorrow, Austrian Chancellor Bruno Kreisky said today.

Mr. Sadat is due in Salzburg tomorrow for talks with Mr. Kreisky following meetings with President Carter in the United States this week. He spent today resting in Berchtesgaden, West Germany.

Mr. Peres, leader of Israel's Labor party, will be stopping in the Austrian city on his way from West Germany to Vienna to attend a Socialist International conference on the Middle East on Sunday.

Mr. Kreisky announced the surprise meeting in an interview taped for Austrian television. Extracts from the interview were released by the Austrian Socialist party.

Kreisky Suggestion

Mr. Kreisky said he had used the occasion of Mr. Sadat's planned stopover in Salzburg to suggest the meeting so that the Egyptian leader would be able to get the first-hand views of the Labor party, Israel's main opposition group.

In New York, meanwhile, in a move that could lead to an open confrontation with Washington, Mr. Sadat said that President Carter's assertion that its settlements on occupied Arab territory are illegal and an obstacle to peace.

"We do not agree with President Carter about the policy [of settlements] or about the future of the West Bank [of the Jordan]," Foreign Minister Moshe Dayan said in a television interview here last night.

Appearing sullen under intensive questioning by ABC news correspondent Barbara Walters, Mr. Dayan said he hoped Israel would not give back the West Bank.

He seemed to downplay the significance of President Sadat's visit to Jerusalem in November at the beginning of his Middle East peace initiative, dismissing any idea that it required major Israeli territorial concessions in return.

Separate Peace

He also suggested that Egypt make a separate peace with Israel if all problems between the two countries were settled and the other Arab nations did not want to join in.

Israeli Prime Minister Menachem Begin returned to Jerusalem today from a fund-raising trip to Switzerland and said that he had good grounds for assuming that peace negotiations between Israel and Egypt would resume.

In Hamburg, where Mr. Peres has been attending a Socialist International meeting, he told reporters that Israel and Egypt were now at the stage of overcoming the deep crisis and real problems that faced them.

Talks between Israel and Egypt are stalled on the key issues of Israeli settlements in occupied territories and the future of the Palestinians.

But the Israeli opposition leader said that, following President Sadat's talks with President Carter earlier this week, there was a fair chance of continuing the negotiations.

"If the problem was just (Continued on Page 2, Col. 7)

Senate Sets Secret Debate

On Panama Treaties Feb. 21

WASHINGTON, Feb. 10 (AP).—The Senate agreed today to take its debate on the Panama Canal into secret session Feb. 21 to discuss allegations that Gen. Omar Torrijos, the Panamanian leader, and members of his family are involved in drug trafficking.

The secret session was requested by Sen. Bob Dole, R-Kan., and quickly agreed to by the Democratic and Republican leaders of the Senate.

Sen. Dole made his request in a speech when the Senate began its third day of debate on the proposed Panama Canal treaties.

After Sen. Dole made his speech, Senate Majority Leader Robert Byrd, D-W. Va., formally requested that when the Senate convenes Feb. 21, after a 10-day recess, it go into closed session to discuss the allegations and classified information about them.

Excellent Cooperation

Earlier, Sen. Byrd told reporters that he was briefed on the drug-trafficking allegations and "the information I've been given is that we have had excellent cooperation from the Panamanian government."

Sen. Byrd called the allegations "a matter of concern." But the majority leader, a supporter of ratification, said "the bottom-line, muddling question is whether it is in the interest of the United States for the Senate to give its approval to these treaties."

Sen. Byrd noted that the Sen-

ate can be forced to go into closed session at the request of two senators. The last closed session of the Senate took place on July 1 of last year for debate on a bill appropriating funds for a neutron warhead. The discussion was closed to the press and general public because it involved classified defense information.

The principal agent was identified as Igor Yastanov, first secretary responsible for sports and cultural affairs at the Soviet Embassy.

Tass linked the expulsions to an alleged campaign by opponents of détente in Canada.

"The latest expression of this campaign" was the demand by Canadian authorities that a number of staff members of Soviet institutions leave the country on "absolutely groundless charges of espionage."

In the first public Soviet reaction to the Canadian decision, announced yesterday, the official news agency Tass said it was authorized to state "that the actions of the appropriate Canadian authorities are regarded as unfriendly ones, and that they were taken with obviously provocative aims."

Canada yesterday ordered 11 Soviet citizens—mostly diplomats—to leave the country and barred two others from returning. The 13 were charged with trying to bribe a member of the Royal Canadian Mounted Police to infiltrate the security service.

May End Neutrality

U.S. Warns Ethiopians On Invading Somalia

WASHINGTON, Feb. 10 (UPI).—Secretary of State Cyrus Vance warned today that the United States may change its policy of neutrality and withholding arms sales in the Horn of Africa should Ethiopian troops cross Somalia's frontiers.

Mr. Vance proposed, for the first time publicly, that Somalia withdraw its forces from the Ogaden Desert and, in turn, that Soviet and Cuban forces be withdrawn from Ethiopia.

Mr. Vance told a news conference that he has been assured by Soviet officials that Ethiopian troops would not cross into Somalia, and the United States therefore has remained neutral and declined to supply arms to either side.

"Different Situation"

But, he said, if Ethiopian troops crossed the border, "we'd look again at it. This would be a different situation."

Mr. Vance estimated that the Soviet Union has "800 to 1,000 military adviser-types" in Ethiopia and the Cubans have "3,000 military personnel, of which approximately 2,000 are involved in combat, and further forces are on their way."

He said that Cubans have been flying Ethiopian aircraft.

On the Middle East, Mr. Vance took issue with Israeli Prime Minister Menachem Begin's statement that U.S. arms sales to Egypt, now under consideration, would be a "negative development."

"It's possible to have arms sales which are not disruptive," he said.

Mr. Vance repeated U.S. opposition to Israeli settlements in additional territory, saying: "We believe all these settlements are contrary to international law and they shouldn't exist."

He said there may be a Middle East summit conference in Washington involving Presidents Carter, Mr. Begin and Egyptian President Anwar Sadat.

Mr. Vance said that the United States "has received assurances from the Soviets that Ethiopian troops would not cross into Somalia. We hope and expect that this promise will be carried out."

However, he made clear that the growing Soviet and Cuban involvement in the Horn of Africa has affected relations with both countries. He said that it will be taken into account in talks with the Russians on the demilitarization of the Indian Ocean.

These activities "obviously cannot help but have an effect upon the relationships between our countries. It affects the political atmosphere between the United States and these two countries," Mr. Vance said.

"What seems to be happening there [in the Horn of Africa] is inconsistent with a limitation of forces in the area, which is what we are seeking in the Indian Ocean," he added.

Regarding Cuba, Mr. Vance said the administration was disappointed that Havana, despite U.S. requests early last year, had increased rather than decreased its presence in Africa.

As a result, he said, the process

toward improving relations with Havana "has been further complicated." He said that Washington is not looking for concessions from Cuba, "but for an action which might be helpful."

He made clear, however, that the United States will not close its 10-member diplomatic interest section in Havana as a result of Cuban intervention in Africa. The interest section, opened in September, is "performing a useful function," Mr. Vance said.

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Claiming Series of Victories

Ethiopia Urges Somalia to Give Up Battle

NAIROBI, Feb. 10 (Reuters).—Somalia, now on the offensive against Somali forces in the Ogaden war, today called on Ethiopia to give up the battle.

The Ethiopian government promised to spare the lives of any Somalis who surrendered immediately.

In a statement issued through the Ethiopian Embassy in Rome, the Addis Ababa government said that it was ready to live as a good neighbor with Somalia.

In the latest reports of fighting, Somalia said that the forces of the Western Somalia Liberation Front had been forced to make strategic withdrawals because of the air superiority and firepower of the Ethiopian forces, spearheaded by Soviet and Cuban troops.

Somalia yesterday ordered mass mobilization to meet the Ethiopian offensive which began last week. The Somali government in Mogadishu said that it may have to use regular troops to repel the Ethiopian advance.

Two-Pronged Assault

Somalia has charged that Soviet and Cuban troops are leading a two-pronged assault to occupy a strategic 200-mile strip of its coastline around Berbera and along the Gulf of Aden.

Diplomatic sources in Addis Ababa said that the Ethiopians seemed to be making progress in their push north along the railroad line from Dire Dawa, but

were apparently stalled in their offensive southward from the mountain citadel of Harar.

The sources said that the main Somali roads around Harar were presenting difficulties for the Ethiopian armor and the terrain favored Somali guerrilla fighters.

Military analysts believe that the Ethiopians are using their Soviet and U.S.-built fighter-bombers, artillery and rockets to soften up the Somali forces before launching a broad infantry assault.

About 80,000 Ethiopian militia and 40,000 regular troops are believed to be on the Ogaden front, but no large-scale infantry fighting has been reported since the offensive began.

Victory After Victory

Ethiopia's statement from Rome said that Ethiopian troops were scoring victory after victory in their drive against "the Somali aggressor" and the mercenary forces of reactionary Arab regimes.

It added that the Somali government now realized "the folly of its adventure" through the deaths in battle of thousands of innocent men.

Calling on Somalia to stop the war, the statement said: "The Ethiopian government, in a genuine concern and sincere desire to prevent any more bloodshed and loss of life, appeals once again to Somalia to spare the lives of innocent soldiers thrown into battle in the Ogaden."

Ethiopia's Marxist government has dropped thousands of pamphlets over the war zone calling on the Somali forces to surrender or die.

Latest Western intelligence re-



President Mengistu Haile Mariam of Ethiopia.

Pace of the Killing Intensifies

Regime May Be Winning Ethiopia Terror Campaign

By John Darnon

ADDIS ABABA, Feb. 10 (NYT).—After three months of a "red terror" campaign to wipe out what it calls "counter-revolutionaries," the Ethiopian government of Lt. Col. Mengistu Haile Mariam appears to have gained the upper hand against an underground organization, bolstering its hold on this stricken capital.

The "red terror," which began as a response to the so-called "white terror" of a revolutionary group, is continuing—with daily executions, jailings and sentencing to camps in the countryside.

Ethiopian leaders try to justify the campaign as a deliberately harsh tactic by a revolutionary government—both to survive and to remain revolutionary.

Diplomats here estimate that since mid-December more than 1,000 persons—many of them tenaged students—have been killed. Perhaps as many as 10,000 have been arrested in an operation to seek out names of members of the anti-government underground, the Ethiopian People's Revolutionary party.

The party, a shadowy organization, is a Marxist group that is fiercely anti-government, believing that a true revolution cannot be led by a military junta.

In September, October and November, the party is said to have stepped up a campaign to assassinate government officials, leading to the recent reprisal drive.

The government executions, which range from 5 to 20 a night, continue. Bodies of the victims are frequently displayed in public squares, sometimes with signs around their necks reading: "The red terror must crush the white terror."

In mid-afternoon, the crackle of gunfire is heard. It picks up after midnight, when the capital is still under curfew and the gunfire sets dogs to barking.

Wednesday morning, a group of foreign correspondents set off for Mercato, the old marketplace. Within 10 minutes, they found an example of what they were looking for: The body of a young man (Continued on Page 2, Col. 6)

Transvaal Aide

Sees Opera as Not for Blacks

JOHANNESBURG, Feb. 10 (UPI).—Sybrand van Niekirk, administrator of the Transvaal Province, said today that Pretoria's planned opera complex would be for whites only because blacks "don't believe in the same sort of entertainment as we do."

"They do war dances, et cetera," he said.

Special permission might be granted the opera house to admit blacks, Asians and colored "mixed-race" persons after consultation with local authorities and police, he said.

The opera house is expected to cost 46 million rand (\$52.9 million) and is due to open in 1980.

Latest Western intelligence re-

مكتبة جامعة القاهرة

News Analysis

Vietnam Faces Steady Drain In Conflict With Cambodia

By Henry Kamin

BANGKOK, Feb. 10 (UPI)—An American here spoke the other day of Vietnam's involvement in Cambodia as a "quagmire," a word that gained currency in the 1960s when it became evident that the United States would find it difficult to extricate itself from its involvement in Vietnam.

Now, in the late 1970s, Vietnam has brought superior military power to bear against a neighbor that had been raiding its border regions almost since the end of the war in 1975. And Hanoi finds itself in a situation where it has not won a decisive victory and has to consider the application of more force, with the risks that this entails, or try a new diplomatic tack.

Hanoi's troops apparently advanced almost at will in their thrust in strength into Cambodia at the end of last year. They halted the advance when Hanoi thought it had proved its military potential and created for itself a position of force for successful negotiations to dampen its neighbor's aggressiveness.

But instead of suing for peace, Cambodia took the extraordinary step in relations between Communist nations of severing its diplomatic links with Vietnam and rejecting Vietnam's offer of talks until all its forces had left Cambodian territory. Vietnam appears to have substantially done this, mainly on its own initiative, sometimes under Cambodian military pressure. "Its troops are being pulled at all points," said an observer with access to national information.

Cambodian Initiative
The Cambodians, perhaps encouraged by the withdrawal of the larger and better equipped Vietnamese force, appear once more to have seized the military initiative, crossing into Vietnam frequently, sometimes in strength, particularly near the southern end of the 750-mile-long frontier. At the same time, Phnom Penh maintains a high level of aggression in its propaganda, comparing Hanoi's Communist regime with the U.S. "imperialists."

The Phnom Penh radio reported Tuesday that Vietnamese forces, supported by MIG planes, helicopters and tanks, had been fighting inside Cambodia, along the Bassac River, since Sunday. The broadcast said that they were repulsed Monday, with the loss of several hundred Vietnamese casualties and 17 tanks destroyed.

Informal sources in Bangkok said the Vietnamese incursion appeared to have been in retaliation for an earlier Cambodian attack in the vicinity of the Vietnamese provincial capital of Chau Doc.

Vietnam's quandary has many sides. A country of about 60 million inhabitants, with Southeast Asia's strongest military force by far, is being harassed by a country of 7 million. Its casualties are heavy, according to recently arrived Vietnamese refugees here, who say they owe their escape to the confusion reigning in the southernmost coastal region as a result of the fighting.

The fighting diverts Vietnam's large army from what has been its principal task since it won the

war in 1975—the reconstruction of the ravaged and underdeveloped country. Because of the fighting, agricultural production has suffered in the border areas of the nation, which is short of food. Moreover, many of the population's "new economic zones," to which reluctant city dwellers have been forced to move, are situated along the Cambodian border and insecurity presumably intensified their unpopularity.

Indochina watchers have no doubt that Vietnam has abundant military means to capture any place in Cambodia that it desires, including Phnom Penh, and to install a client government. But to do so, Hanoi, which throughout the war against the United States worked up vital support from international public opinion, runs the risk of endangering that support and with it the chance of badly needed economic assistance.

At the same time, knowledgeable analysts believe that Vietnam's actions toward Cambodia are constantly restrained by Hanoi's awareness of China's stake in Cambodia. The xenophobia that seems to motivate Phnom Penh's rulers does not appear to have the endorsement of Peking, the principal source of economic and technical assistance for a country devastated by war and the revolutionary policies followed by Cambodia's postwar rulers.

Cambodia has been a difficult ally for China. At a time when China is turning away from its earlier radicalism and pursuing a good-neighbor policy toward the rest of Asia, its best friend in Indochina is surpassing it in internal revolutionary zeal and an adventurous foreign initiative, which, because of its inherent weakness, it cannot bring to a successful conclusion.

China has limited its public expressions to urging a negotiated settlement and sending a highly respected public figure, Chou en-Lai's widow, Teng Yingchao, to Phnom Penh to speak about nonaggression and respect for territorial integrity. Peking is thought to fear that outright support for Cambodia's case against Vietnam would drive Hanoi into an even closer relationship with Moscow.

Last Sunday's peace proposal by Vietnam, offering the establishment of a demilitarized zone on both sides of the border and international supervision and guarantee of an agreement, is viewed by many as a clear challenge to Peking, the only nation with substantial influence in Phnom Penh, to bring its client to the negotiating table.

No Cambodian Reply
So far, Phnom Penh has not replied specifically to Hanoi's proposal, although it charged in a broadcast Tuesday that Vietnam was committing "barbarous aggression" while calling for negotiations.

There is speculation here that the Vietnamese peace plan might be Hanoi's last move before a renewed thrust into Cambodia, unless the offer results in negotiations. It is noted here that Defense Minister Vo Nguyen Giap and the military commander in southern Vietnam, Gen. Tran Van Tra, inspected the border region late last month.



CRITICAL APPRAISAL—At a military training base at Gwelo, 170 miles southwest of Salisbury, Rhodesian Prime Minister Ian Smith reviews an officer cadet, one of 18 commissioned Friday into the army. In the background, right, Lt. Gen. John Hickman, the commander of the Rhodesian Army, watches proceedings.

U.S. and Vietnam Clash in UN On Legality of Envoy Ouster

UNITED NATIONS, N.Y., Feb. 9 (UPI)—Vietnam and the United States clashed in the United Nations today over whether Washington acted illegally in ordering Vietnam's Ambassador to the UN, Dinh Ba Thi, expelled from the country for spying.

Mr. Thi said the U.S. idea of "prior consultations," as is required in such cases under an agreement between the United States and the world body, amounted to nothing more than a knock at his mission's door and an "oral message" from a U.S. representative accusing him of involvement in a spy ring.

Mr. Thi asked the UN to intervene with Washington in the case.

U.S. delegate James Leonard told the UN committee on relations with the host country that Washington had tried to discuss the issue with the Vietnamese in advance, but that "after an initial contact on Feb. 1, they refused to discuss the situation further with us."

Mr. Leonard also indicated that the United States had no intention of backing down on the expulsion order, issued by the State Department last Friday. Mr. Thi, who first vowed to remain at his UN post in defiance of the order, has been instructed by Hanoi to return home.

"My government hopes a new permanent representative (from Vietnam) will be named shortly and that this unfortunate matter will be closed," he said.

Mr. Thi, whose country is the 148th and newest member of the UN, became the first ambassador in the 33-year history of the world body to be ordered out of the United States.

The expulsion order was issued after a federal grand jury in Alexandria, Va., named Mr. Thi as an unindicted co-conspirator in a case concerning an espionage ring conducted by U.S. Foreign Service officer Ronald Humphrey.

Mr. Thi took his case to the host country committee, charging Washington's action was an "illegal decision" because the United States did not consult the Viet-

names in advance, as required under agreements with the UN. As expected, he received solid support from Communist bloc nations, including the Soviet Union and Cuba.

"I request the committee to examine and clarify this matter and to intervene with the government of the United States to abolish this unjust decision . . . and to put an end to an abuse on the part of the host country," Mr. Thi said.

A 1947 agreement between the United States and the UN gives Washington the authority to expel a foreign diplomat without having to justify the order.

Mr. Leonard said that on Feb. 1, "we attempted to discuss the situation with the Vietnamese [UN] mission, but after an initial contact, they refused to discuss the situation further with us. We did exchange views with the Vietnamese Embassy in Paris."

Mr. Thi said Mr. Leonard's version was "false." Rather than consultations, he said, what happened was that U.S. Deputy Ambassador Donald McHenry showed up at the Vietnamese mission "in order, he told me, simply to transmit an oral message from his government."

(From yesterday's late editions.)

Salisbury Talks Seen Closer To Agreement

SALISBURY, Feb. 10 (UPI)—In talks free from the hostility of previous days, delegates to the internal majority-rule settlement conference today revised a draft agreement that participants say could be signed next week.

Conference sources said, however, that the issue of white parliamentary representation under black rule was set aside for the day.

Three of the participating delegations have already agreed that a future 100-seat parliament should have 28 white members elected directly by white voters.

But the fourth delegation, Bishop Abel Muzorewa's United African National Council, has advocated having 30 whites elected directly by Rhodesia's mostly conservative whites and eight others by both white and black voters.

Bishop Muzorewa's organization will hold a "consultative assembly" Sunday, at which the hierarchy will ask their supporters, whether they favor having the group give in to the other delegations on the issue.

Moscow Brands Ouster of 13 As Provocative Canadian Act

(Continued from Page 1)
relations between the two countries," it said.

Tass said this was explained by the fact that the reputation of the Canadian intelligence services "has become quite tarnished"—apparently a reference to a recent scandal over domestic spying by the Royal Canadian Mounted Police.

Canadian diplomats, waiting for possible retaliation by the Kremlin, said there had been no word from the Soviet authorities.

Diplomats expected the Soviet government to wait until after the weekend, and possibly longer, before announcing any action such as the expulsion of Canadian officials working here.

When Britain barred or expelled 10 Soviet officials in 1971, the media here reported the action two days later and Moscow retaliated two weeks later by expelling 4 British diplomats and forbidding 10 others to return.

The Canadian Embassy has 13 diplomats, 3 military attaches and 25 nondiplomatic personnel. Ambassador Robert Ford has served in Moscow for 14 years and is dean of the diplomatic corps.

No Permanent Rift Seen
OTTAWA, Feb. 10 (Reuters)—Canadian Prime Minister Pierre Elliott Trudeau said today that the alleged Soviet spy ring was a blot on relations between the countries but would not lead to a permanent rift.

At a news conference here, he played down the long-term effects of the scandal.

Mr. Trudeau said: "You can continue to have good relations with a person who has not been very nice to you on some occasions."

Ethiopia Appeals to Somalia To Abandon Battle in Ogaden

(Continued from Page 1)
ports said that fresh detachments of Cuban soldiers were heading for the front.

According to Western intelligence, about 3,000 Cubans and 1,500 Russians are fighting on the Ethiopian side.

In Peking, the Somali Embassy said that Russian and Cuban troops were commanded by Soviet Gen. Grigory Barilov, previously a military adviser in Somalia.

The statement said that the Russians were manning tanks and flying bombing missions, while the Cubans were in charge of artillery and were also being used as airborne troops.

The Somali government or President Mohammed Siad Barre expelled all Soviet and Cuban military personnel late last year. After renouncing his friendship treaty with Moscow, President

Siad Barre appealed for Western military aid.

He has accused Moscow of planning an invasion of Somalia to establish a Soviet presence in the Horn of Africa, on the West's oil route through the Red Sea.

Israeli Aid Denied
LONDON, Feb. 10 (Reuters)—Ethiopia denied yesterday through its embassy here that it is receiving arms supplies from Israel.

Israeli Foreign Minister Moshe Dayan told an Israeli radio reporter in Zurich Monday, "We are selling arms to Ethiopia. We have had cooperation with Ethiopia for years and years."

Yesterday's Ethiopian statement called Mr. Dayan's declaration a "deliberate and sinister act designed to isolate Ethiopia from the progressive Arab world and drive a wedge between Ethiopia and the Socialist world."

Typically, the squads raid a house during the curfew hours, midnight to 5 a.m., and drag off a suspected member or sympathizer of the Ethiopian People's Revolutionary party. If he is likely to be interrogated, either in the Kibele's own jail or at the central prison of Addis, which is crowded with prisoners who spend their time playing cards and awaiting death.

Often, the suspects are secondary school students, where in the past the revolutionary party drew much of its support and recruited

Bid to Ban Israeli TV Film On 1948 War Boomerangs

TEL AVIV, Feb. 10 (UPI)—Israel's political arm conceded today that it could not interfere with decisions by an independent broadcasting authority as to what should be screened by the state-owned television station.

A statement today by the parliamentary Education and Culture Committee opened the way for the screening of a controversial film depicting the banishment of Arabs across the border by Israeli soldiers during the Palestine war of 1948.

The screening had been approved by the broadcasting authority and scheduled for television last Monday. But two deputies protested in the Knesset (parliament) that the film served anti-Israel propaganda and they called for a debate. The Knesset, at the recommendation of Minister of Education Zevulun Hammer, directed the Education and Culture Committee to take up the matter, after the members see the film.

Shortly before Monday's scheduled telecast, Mr. Hammer ordered the performance postponed.

Intimidation Protested
The directors of the broadcasting authority protested political intrusion into their area of competence and refused to arrange a showing for the committee. Some members, including the committee chairman, Abner Yadin, said they did not want to see the film because they objected to political censorship.

The resultant scandal and the attempt to suppress the story boomeranged.

One newspaper here began serializing the story by the film baron, on which the Israeli baron, an Arabic newspaper in Jerusalem said it was applying for serialization rights. News media here and abroad sought out veterans of the 1948 war for accounts of instances of misconduct by soldiers similar to that described in the suspended film.

A report from California said

two film companies had made inquiries about getting rights to film Mr. Smilansky's story there. Opponents of the minister's action in suspending it had brought more attention to the allegation of Jewish atrocities in the 1948 war than the film would have drawn if it had been shown.

Events Not Disputed
The critics did not dispute that the events portrayed in the film had actually happened, but claimed that acts committed in the heat of the 1948 war were far from typical. Accordingly they said the television film gave a distorted image of the character of the struggle for Israel's independence.

In originally approving the film, the broadcasting authority decided the telecast should be followed immediately by a panel discussion by experts to put the incidents portrayed in proper context.

The 31-man plenary of the broadcasting authority scheduled an extraordinary meeting for Sunday, which is expected to reschedule the telecast. The body was appointed by the former minister of education, Mr. Yadin, in April, and Mr. Hammer is empowered to appoint a new body.

The Israeli government charged in August, 1973, about two months before the Arab-Israeli war, that 10 to 20 Nor Korean pilots were flying MiG fighters supplied by the Soviet Union.

Mr. Tohamy, who is visiting North Korea, thanked the country for its help in the war during a news conference in Pyongyang.

"The stand of your country toward our people in 19 when we fought down the enemy was a historic stand," Mr. Tohamy was quoted as saying. "Heroic Korean airmen participated in the struggle to defend our territory."

(North Korean) President Kim Il Sung strongly supported the struggle of our people at the time.

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Egyptian Says N. Koreans Had '73 War Role

TOKYO, Feb. 10 (UPI)—Egyptian Vice-Premier Haseem el-Tohamy confirmed today what has long been suspected by the United States and Israel—North Korean fighter pilots fought for Egypt in the 1973 Arab-Israeli war.

Mr. Tohamy, who is visiting North Korea, thanked the country for its help in the war during a news conference in Pyongyang.

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Another Technological Breakthrough from SEIKO The LC Digital Quartz ALARM CHRONOGRAPH

It tells time and day, month and date, turns into a stopwatch and has an alarm, too.

TIME AND DAY
Large, easy-to-read LC digital display, the hour, minute, second and day of week.

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The display freezes to show time for a single lap while, internally, race timing continues.

MONTH AND DATE
At the push of a button, time display disappears and the month and date appear.

ALARM MODE
Push mode button and alarm display appears. Then set alarm to exact hour and minute desired. No resetting required for daily alarm signals.

ELECTRONIC STOPWATCH
Push the mode button, and the stopwatch readout in minutes, seconds and 1/10 seconds is displayed.

EASY-READING DESIGN
The large, bright numerals are always visible in total darkness; the touch of a button illuminates the face for easy display readout.

As you'd expect, Seiko was the one to create a Multi-Mode LC Digital in which all four modes can function simultaneously. Seiko's dedication to technology makes this watch possible in a surprisingly compact case. Seiko's concern with human engineering makes it the easiest multi-mode quartz watch to operate. Naturally, it has continuous readout, built-in illumination, battery life approximately two years, and the assurance of incomparable quality because it's by Seiko, world leader in quartz. Seiko Quartz. **SEIKO** Someday all watches will be made this way.

مركز امداد

Most Sweeping Reform

Senate Panel Proposes Bill To Curb Spy-Agency Abuses

By Bill Richards

WASHINGTON, Feb. 10 (UPI)—The Senate Select Committee on Intelligence yesterday proposed a sweeping legislative package that would, for the first time, restructure and centralize the U.S. intelligence apparatus and close some of the loopholes that led to intelligence abuses in the past.

The proposed legislation is the most comprehensive congressional effort at bringing the sprawling intelligence community under one roof since much of it was set up in 1947 under the National Security Act.

In addition to setting out an administrative framework under CIA Director Stansfield Turner as director of national intelligence, the new bill would provide a series of checks by Congress, the National Security Council and the president on U.S. intelligence activities at home and abroad.

At a news conference, Sen. Frank Lautenberg, D-N.J., chairman of the Intelligence Committee, called the proposed legislation and other recent steps to codify national intelligence "the most significant protection of American liberty since the Bill of Rights itself."

Parallels Carter Order

The committee's legislative package closely parallels President Carter's Jan. 24 executive order reorganizing the intelligence agencies on an interim basis while the Senate committee finished up its bill.

The seven-part, 300-page document prohibits certain types of overt action by the CIA such as assassination, terrorism, torture, the mass destruction of property, or epidemics, the overthrow of democratic governments or the support of dictators which violate human rights by police, foreign intelligence or internal security forces of foreign countries.

A committee spokesman said the CIA's involvement in overthrowing non-democratic nations is not prohibited by the bill. The new legislation does allow intelligence agency bugging and

break-ins under certain circumstances when they are approved by Congress and the president.

It also puts Congress in the unique position of considering a law that would authorize the attorney general, the top legal official in the nation, to grant an intelligence agency permission to violate federal law.

That could happen if the intelligence agency promised not to commit an act of violence or violate another part of the new legislation. Requests could be made to the attorney general in cases of espionage, terrorism or assassination.

Among the portions of the new congressional bill that go beyond President Carter's intelligence executive order are:

- Granting the FBI statutory intelligence agency status, which it now lacks. This new status would put the FBI under the same umbrella of legislative restrictions proposed for other intelligence agencies. An exception is the bureau's controversial domestic intelligence activities, which are the subject of a separate intelligence committee bill now being prepared.

- Protection for U.S. citizens and resident aliens in the United States and abroad from electronic eavesdropping or mail opening by intelligence agencies without a court order based on criminal identification. Currently the attorney general can authorize surveillance in the United States without a court order on national security grounds.
- A formal charter for the National Security Agency, making it accountable to Congress for the first time since President Harry S. Truman created the agency by a secret order in 1952.
- The committee dropped from its bill any mention of making public the U.S. intelligence budget and apparently compromised on two other areas which have been the subject of recent bad publicity for the intelligence community.
- Intelligence agencies will be allowed to continue experiments on humans. But under the bill any subjects of experiments must give the same type of informed consent as is required of all other government agencies.
- News representatives and clergymen will be barred from accepting pay for intelligence assignments under the bill but not stopped from working for intelligence agencies on a voluntary basis.

The committee's proposal also bans any federal employee from knowingly revealing the identity of an undercover intelligence agent if the agent could be harmed. That section, committee staffers said, was designed to prevent any repetition of the case of Philip Agee, the former CIA agent who identified several active agents in a book after he left the CIA.

Fiat in U.S. Recalling 26,600 '75, '76 Models

WASHINGTON, Feb. 10 (AP)—Fiat is recalling 26,600 of its 1975 and 1976 Fiat-131 models to correct potentially defective throttle control mechanisms, the National Highway Traffic Safety Administration announced today.

The problem involves throttle returns springs that could break, causing the throttle to stick in an open position and making it difficult for drivers to control the speed of their cars.

Proposes Treaty to Senate

Carter Seeks World Checks on U.S. Nonmilitary A-Sites

By Don Irwin

WASHINGTON, Feb. 10.—President Carter proposed a treaty yesterday to subject U.S. nonmilitary nuclear installations to inspection by the International Atomic Energy Agency.

In submitting a draft treaty to the Senate for ratification, Carter noted that the commitment was first proposed in 1967 by former President Lyndon Johnson as a step to assure compliance with the then-pending nuclear nonproliferation treaty.

The proposed treaty would supplement legislation that would curb the spread of nuclear weapons by tightening controls on nuclear exports from the United States, which is the world's largest exporter of such materials.

The new measure would require the 30-odd nations that buy nuclear material from the United States to abide by safeguards developed by the International Atomic Energy Agency and to permit the agency to inspect their nuclear facilities within 18 months. It would cut off exports

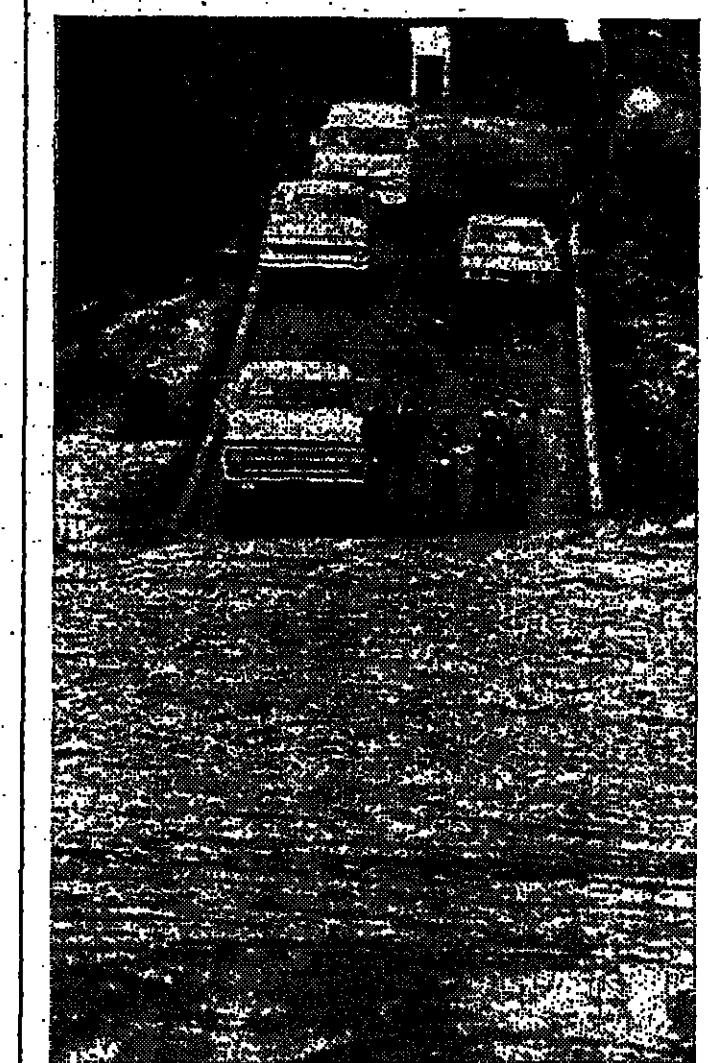
of nuclear materials to any nation that used them for weapons development.

Ninety-nine nations are now parties to the nonproliferation treaty, which requires signatories to agree to inspections of nuclear facilities by the International Atomic Energy Agency.

Exempt from this requirement, however, are three signers that possess nuclear weapons: the United States, the Soviet Union and Great Britain—as well as nations that did not sign. Among the nonsigners are France, China and India, all of which have detonated nuclear devices.

Jessica Tuchman, a National Security Council arms control specialist, stressed the "symbolic importance" of the proposed treaty in persuading some holdout nations to sign the nonproliferation treaty.

"One of the major reasons why some countries have hesitated to



GOING NOWHERE—An access road to Big Tujunga Canyon near Los Angeles was cut off when officials opened gates of a reservoir to ease pressure on dam. Several homes in area were cut off, but none flooded.

Flooding, Blackouts in Calif.

Heavy Rain, Snow Lash West As Northeast Still Digging Out

BOSTON, Feb. 10 (AP)—Arlifted Army troops cleared snow in the Northeast, heavy snows blanketed Montana and Idaho, and police were swamped by calls about mudslides, power failures and flash floods in southern California.

Electrical power was interrupted for up to several hours from Santa Barbara to San Diego, as the latest in a series of rainstorms lashed that region for the second day.

The Los Angeles Police Department ordered all personnel to remain on duty overnight to handle weather-related emergency calls.

A flash-flood watch was issued for San Luis Obispo and northern Santa Barbara counties as streams rose rapidly.

By early this morning, the third storm to hit the area this week had dropped 3.39 inches of rain at the Los Angeles Civic Center, bringing the season's total to 19.81 inches—more than twice the normal amount. Mostly sunny weather was forecast for the weekend, but another storm could reach the state Monday or Tuesday.

In the East, a full day of sunshine yesterday began to cause some thawing. In Boston and most of eastern Massachusetts, a state of emergency, however, remained in effect.

More than 10,000 Army troops, National Guardsmen and state and local workers used heavy equipment and shovels to free more than 2,500 cars packed in the snow on Boston's bayside. The work was expected to continue into next week. Military personnel also worked on roads in Connecticut and Rhode Island. Gov. Michael Dukakis in ex-

tending his state of emergency order through today, said "We have made very substantial progress, but we have a very, very long way to go."

In Montana, National Guard troops cleared snow from previous storms as new snow fell. Some isolated communities reported shortages or shortages of fuel and food. Gov. Thomas Judge yesterday declared eastern Montana a disaster area.

In the Sun Valley, Idaho, area as much as 23 inches of new snow fell in a 30-hour period, blowing and drifting snow were reported in Utah.

There were snow flurries and strong winds in the Midwest. Seven school buses traveling in fog on Indiana highways were involved in six separate crashes today, authorities said. At least 11 pupils and two adults suffered minor injuries.

Dr. John Gauscholz, assistant medical examiner in Rhode Island, said today that 15 persons, mostly elderly, died in this week's blizzard. He attributed 14 of the deaths to heart attacks and the other to asphyxiation.

A heavy snow warning was posted for parts of Nevada. A winter storm watch was in effect for the central mountains of Arizona.

4 Die in U.S. Crash

PITTSBURGH, Feb. 10 (AP).—A crowded commuter bus collided with a trolley south of downtown Pittsburgh during the morning rush hour today, killing four persons and injuring at least 22 others, authorities said.

ter said that it would mean application of International Atomic Energy Agency safeguards to U.S. nuclear facilities "other than those having direct national security significance."

The language is the same as that used by Mr. Johnson when he proposed in 1967 to "make it clear to the world" that the United States was "not asking any country to accept safeguards we are unwilling to accept ourselves."

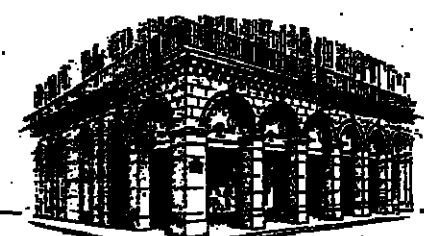
His proposal, like the one submitted by Mr. Carter, would have permitted the international agency to inspect both government and private nuclear activities, including the fabrication, use and reprocessing of fuel used in power reactors. The Carter administration already has blocked full development of a fast breeder reactor that would produce weapons-grade plutonium as a byproduct.

Dr. Tuchman rejected suggestions that the treaty had been proposed as part of a campaign to persuade India that the nonproliferation treaty does not discriminate in favor of the major nuclear powers.

In his message, President Car-

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Blazers are more like jackets this year

The classical navy serge blazer (£ 890) will never look out of date. But there is a trend back to a jacket style, mostly in tweed, with English patterns or Prince of Wales style checks (£ 1150). For blazers, Lanvin 2 has some new, richer, more

comfortable fabrics this year: wool and cashmere, for instance (£ 1690), or even pure cashmere (£ 2390). If you prefer something a little more casual, there's a model in bouclé wool for country wear (£ 1450).

Our very latest offer is a dress blazer in fine navy corduroy (£ 1150).

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'Mismanagement' Cited

Congress Strafes AF on Computer

By Bernard Weinraub

WASHINGTON, Feb. 10.—A congressional panel has sharply scolded the Air Force for "gross mismanagement and insipid leadership" in failing to comply with a congressional order to terminate a computer system.

At the same time, the House Appropriations Committee accused Defense Secretary Harold Brown and his predecessors of "completely ineffective" inspection efforts involving the computer project and castigated Mr. Brown's staff for "useless" efforts and "prolonged procrastination."

The criticism, in an 89-page report obtained by The New York Times, marked the sharpest and most detailed attack on the Air Force and the defense department over the controversial computer system, which was designed to keep track of aircraft repairs.

Called "project max," the \$41-million program was part of an overall \$800-million advanced logistics system that the Air Force hoped to install as a management tool for aircraft logistics and repair. Three years ago, Congress told the Air Force to terminate the effort, which has encountered various equipment and program failures.

Development of Project Max, the most controversial part of the system, continued without approval for nearly a year, however, and much of the program is still going ahead, the report indicated.

Gross Mismanagement

"The bureaucratic jumbling and delay that constituted what should have been an uncomplicated task... gives inference of gross mismanagement and insipid leadership in a military organization otherwise constructed as efficient and highly motivated," said the report.

"The only reason the investigative staff can perceive for continuation of work on... Project Max is that it was progressed to the point where full implementation is possible by July 1978," the report added.

Responding to the criticisms in the report, Air Force Secretary John Stetson sent a three-page letter yesterday to George Mahon, chairman of the House Appropriations Committee. "We do take strong exception to the allegations in the report concerning Air Force attitudes and motives," Mr. Stetson said.

Project Max had been terminated, he said, and work had begun on the other recommendations in the report.

"I assure you that we will, in accordance with the desires of the Congress, expend every effort to provide the Air Force with efficient and effective ADP (automatic data processing) services," Mr. Stetson said.

The report itself is laced with

unusually acid criticism of the Air Force and of some of its commanders and officers, as well as the defense secretary's inspection apparatus, present and past. In the view of the committee, "The inept and lackluster per-

U.S. Seeks Witnesses To A-Tests

WASHINGTON, Feb. 9 (Reuters).—The U.S. Defense Department today began an international search for up to 300,000 persons who attended nuclear weapons tests in the late 1940s and 1950s to see if they had developed cancer.

A Pentagon statement said that the search was "to determine if there are any health hazards in connection with the tests." A Defense Nuclear Agency (DNA) spokesman, Lt. Col. Bill McGee, said that "cancers are what they are looking for."

Colonel McGee said that only incomplete lists were available of the estimated 300,000 civilian and military people who attended the tests, held in the Pacific and in Nevada from 1946 to 1957.

8 Cases Reported

He said that the search came after eight cases of leukemia were discovered among the estimated 2,500 to 3,000 persons who attended nuclear tests at the Nevada test site near Las Vegas, on Aug. 31, 1957.

Col. McGee said the names would be passed on to the Centre for Disease Control in Atlanta, Ga., and to the National Academy of Sciences in Washington.

He said the names of approximately 90 Canadians who attended the Nevada test had been given to the Ottawa government.

The United States stopped nuclear tests above ground after concluding a nuclear test ban treaty with the Soviet Union in 1963.

The DNA spokesman said that just before the treaty a number of atmospheric tests were carried out in the Pacific with British participation.

U.S. Ex-Soldier Dies

BOISE, Idaho, Feb. 10 (AP).—Paul Cooper, 44, the ex-serviceman who claimed his leukemia was caused by his close-range observation of an army nuclear explosion 20 years ago, has died, a spokesman for the Veterans Administration Hospital said yesterday.

Mr. Cooper had been hospitalized on and off for the past year with leukemia. He was the first of several veterans to claim that witnessing the atmospheric tests in the Nevada desert caused leukemia.

lemonade displayed by the Air Force in its failure to comply with congressional direction is indicative of organizational paralysis rather than any concerted effort to defy Congress."

The Air Force Logistics Command, "historically inept in ADF (automatic data processing) development, continued an unblemished record even in the simple task for dividing an intelligence plan for interim work." The report noted that the logistics command was riven with "intolerable administrative deficiency" that "borders on insubordination."

Project Max in itself, "a legitimate candidate for termination as directed by Congress," was found to "collect and disgorge reams of data which will be most impressive but of little practical value."

Although the report found that the office of the secretary of defense had made some effort to insure that the Air Force complied with Congress, it said that the defense secretary's "inspection efforts were completely ineffective, principally because of the lack of interest by OSD (Office of Secretary of Defense) officials in pursuing findings by its staff and the negative attitude of the Air Force in accepting OSD criticism."

The report added: "Prolonged procrastination by OSD in providing any guidance or direction to the Air Force... has rendered OSD staff efforts useless."

It was not until last June, said the report, that the defense secretary's office began taking action involving Project Max. But, the report indicated, little has actually been done since then, and "no specific guidance" has been issued by Mr. Brown's office to the Air Force.

Ernest Fitzgerald, a Pentagon employee who was fired in 1983 after revealing cost overruns of \$2 billion associated with the Lockheed C-5A cargo plane, has made Project Max an issue.

Mr. Fitzgerald says the Air Force is proceeding with a similar project under another name—Actual Hour Accounting System. "It looks like Max, talks like Max, quacks like Max," Mr. Fitzgerald said. "It is Max."

U.S. Women, 60, 61, Held as Smugglers

STONEY, Feb. 10 (UPI).—Two American women have been charged with smuggling about two tons of hashish into Australia, Police Marie Dressiere, 60, and Vera Todd Hayes, 61, were identified yesterday when a federal court here refused to grant them bail.

They were arrested by federal narcotics agents in Gosford, New South Wales, in possession of about two tons of hashish valued at \$18 million.

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AMMAN... WASHINGTON... PARIS... Today in Jordan, the Queen Alia Fund began its work of seeking international philanthropic commitments to focus on the social and cultural needs of the people of Jordan.

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The Queen Alia Fund will, by its work and by its example, become an important contribution to the betterment of people everywhere.

Friends of Jordan throughout the world join in a salute to the Queen Alia Fund.

The West Bank Imperatives

What now in the Middle East? Egypt and Israel are blaming each other for the impasse in their negotiations and asking the U.S. people and government to throw the weight of their opinion against the terms of one side or the other. It is a diplomatic time-out for propaganda that, at the moment, is working for President Sadat. But there is no profit in it for anyone.

The Egyptian leader has persuaded many Americans that his grand gesture of going to Jerusalem was insufficiently reciprocated and that instead of designing a peace, the Israelis are grasping for territory. He contends that he has gone as far as he can by offering Israel acceptance and security and that everything will fall if Israel refuses to commit itself to negotiate toward the creation of some kind of Palestinian homeland on the West Bank of the Jordan.

The Israelis respond that they have made a comparable gesture in offering Egypt undisputed sovereignty over all of Sinai and that a peace treaty with their principal antagonist awaits only some security arrangements that should pose no difficulty. They say they cannot possibly discuss the more complicated issues of sovereignty and security in the West Bank until Jordan's King Hussein joins them at the bargaining table.

Sadat says any deal must be comprehensive, by which he means it must envision that territory conquered in 1967 be returned not only to Egypt but on all fronts. Prime Minister Begin and his Foreign Minister Moshe Dayan, say they cannot make a comprehensive agreement with a single negotiating partner whose initiative is condemned by the parties for whom he seeks to speak. President Carter has straddled this issue by stating that any settlement must be both "negotiated" and "comprehensive."

The President's balance recognizes points of merit on both sides. Israel needs security, not more territory. To get a more comprehensive agreement, Egypt needs to be joined by other Arab negotiators. The U.S. objective in this situation should be to resist, for the time being, Israel's yearning for a separate peace with Egypt while pressing vigorously for at least Jordan to join the talks. Only then will it be determined whether Israel's quest for security guarantees can finally be separated from the claims of some Israelis for permanent settle-

ments in, access to and even sovereignty over the West Bank.

The United States and much of the world, apparently including Sadat, recognize the Israeli fears of hostile military emplacements, terrorists and irredentist political forces based within a few miles of its major cities and installations. But there is little support, and there should be none, for those Israelis who employ the pretext of security, or who proclaim biblical sanctions, to establish more Israeli settlements that can only create new political ambiguities and military necessities.

Nor is Begin's policy of opening new settlements consistent with a genuine bid to Hussein or West Bank Palestinians to join a negotiation in which their claims to sovereignty over the region will be a major issue. For both short-term and long-term reasons, therefore, the United States is right to inveigh against the settlements. If only to diminish the damage they are doing to themselves in the current propaganda contest, the Israelis would be wise to halt all settlement activity as a contribution to peacemaking.

The inescapable issue behind all this, of course, is the Arab world's desire for what has come to be called the "self-determination" of Palestinians—and the Israeli desire to deny it except in the sense of "self-rule" by West Bank communities. If the Israelis cannot become sovereign in the area, they appear determined that no one else will either. The issue is a tragic legacy of rival nationalisms and of the failure of the Arabs to accept the partition of Palestine when it was offered by the world 30 years ago.

The most moderate Arabs offer now to accept Israel, as they would not then, if they can still obtain partition. The most moderate Israelis contend that the fears produced by four wars cannot be overcome by pieces of paper—and that on this central question, many Arabs are not moderate. The West Bank, then, is not likely to be disposed of in a single round of negotiations or in an agreement that would take effect in a relatively short time.

But the principle can be established that security, and not territory, is the only legitimate Israeli aspiration, and the meaning of security can become the basis of negotiations. With that as his agenda, Carter just might chase the Israelis and Egyptians away from the microphones and press the Arab world to send the Jordanians to put Begin to the test.

THE NEW YORK TIMES

International Opinion

Proxy War Through Somalia

The Western powers' dislike so far of fighting a proxy war through Somalia has been politically wise as well as humane. But it should first be represented to the Organization of African Unity that the non-intervention of the big powers applies to all candidates, not just Western ones; and that secondly, if the latest OAU peace mission fails, the UN Security Council must be seen as the place where Soviet intentions can be given a thorough airing. By any previous definition there is already "a threat to the peace."

—From the Guardian (London).

Failure of Begin?

Prime Minister Begin of Israel has so far produced a very bad impression by the paucity of his response to Egyptian President Sadat's peace initiative, and by his government's continued insistence on maintaining Israeli military protection over the settlements, particularly those in the Sinai. He has failed to rise to the occasion. He said in Geneva this week that "people shouldn't expect peace in a day or two or in a week. . . . I ask to negotiate over a period of several months." Fine, but the question is negotiate for what? For a peace settlement or merely to improve Israel's tactical position on the ground? It looks as if Mr. Begin is aiming at the latter. If so, he is making a grievous mistake. Sadat has staked everything on his attempted breakthrough. Every week that passes now, with continued Israeli dithering and procrastination, makes his position more threatened.

—From the Daily Telegraph (London).

Central America Contrast

There has been a remarkable study in contrast in two of the small countries of Central America this week. In Costa Rica,

a country which rarely makes the headlines because of its political stability, there has been a presidential election in which the main opposition candidate, Rodrigo Carazo of the Unity party, has won. In its slightly larger neighbor Nicaragua, the regime of President Anastasio Somoza, whose family has dominated the country for more than 40 years, has been emerging from a very different sort of challenge from the combined forces of the opposition. Seizing a chance of at last toppling the repressive Somoza regime, the opposition had launched a general strike which was backed by unions, several private businessmen's organizations and political parties. At the same time the main guerrilla group, the Sandinist National Liberation Front, made attacks on the National Guard, which is regarded as virtually President Somoza's private army.

President Somoza has refused to stand down, saying that he will stay in office until the presidential election which is due in 1981. But his position is much weaker than it used to be. Since having a heart attack last July he has not been able to keep the same close watch on events. He has also come under attack from two forces which carry weight in Nicaragua, the Roman Catholic Church and the U.S. government. Even in Venezuela, there has been talk of helping the strikers by stopping oil supplies.

—From the Times (London).

French Elections

There are indeed many glaring inequalities and injustices in French society which are overdue for remedy, and it may well be that some kind of social upheaval will occur in France this year whatever the [scheduled March] election result. But it cannot be said that the present world economic climate is propitious for such an event. . . . The sick bay of Europe is already overcrowded, and the hospital staff already overworked, without adding France to their list of patients.

—From the Times (London).

In the International Edition

Seventy-Five Years Ago

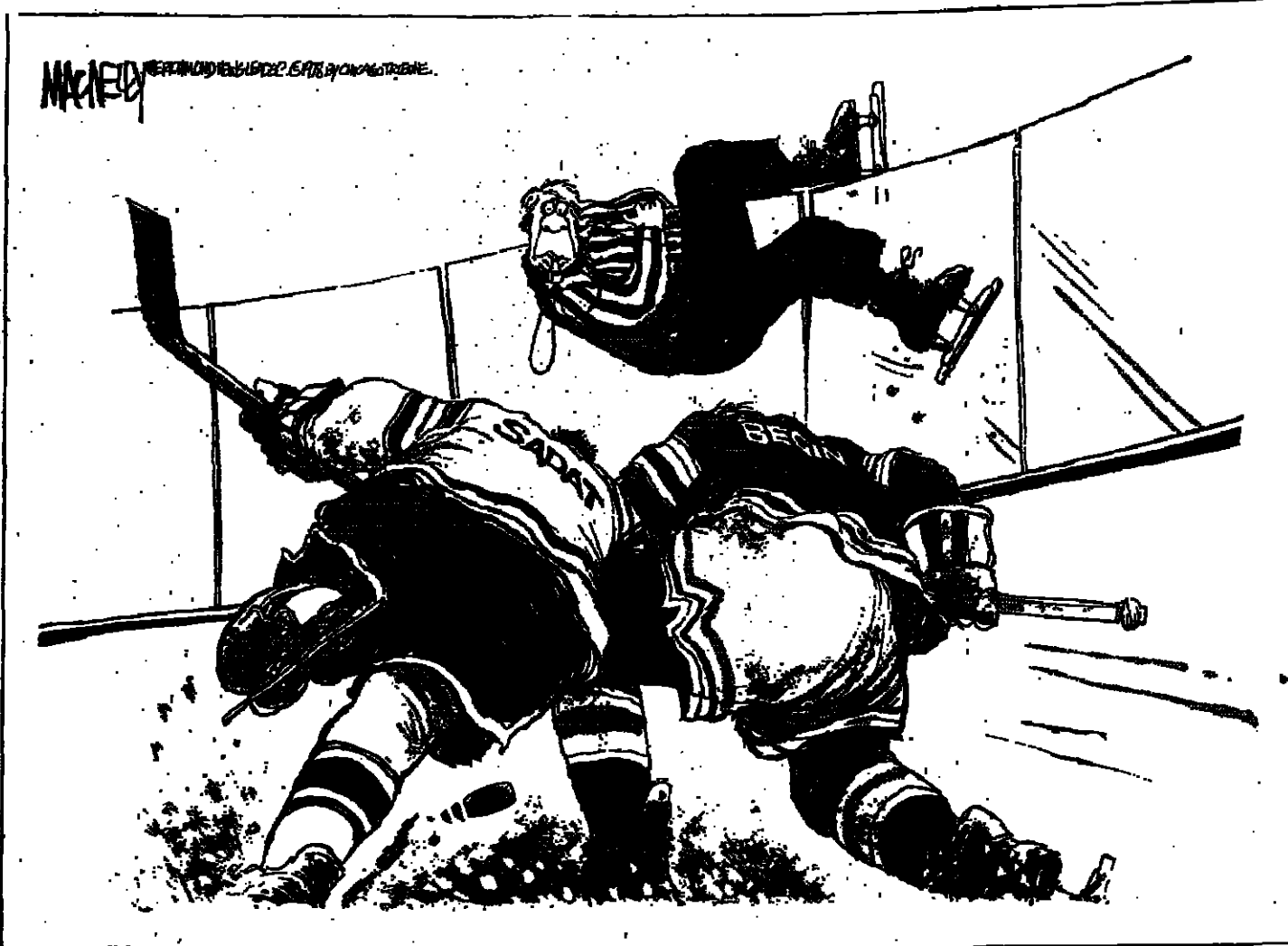
February 11, 1903

NEW YORK—What is declared to be a diamond fallen from the sky was today placed on exhibition in the American Museum of Natural History. It is a diamond embedded in a 40-pound meteorite discovered in Arizona. Tests have proved the substance to be a genuine diamond, and trillite and daubresite, substances which, proved an origin not terrestrial, were both found in the iron which encased the gem.

Fifty Years Ago

February 11, 1923

PARIS—"Long trousers will remain for men now that their nether limbs are no longer clad in silk, for the silk hose is passé. American men, every last one of them, have abandoned the silk sock. It just isn't being done any more. To be smart a man must wear bright colored woolen socks, cotton is alright but wool is best," said Harold Simmons, a leading English hosiery importer, here yesterday.



Mideast: Washington Tilts to Washington

By James Reston

WASHINGTON—President Sadat of Egypt left the United States in high good humor and Foreign Minister Moshe Dayan of Israel arrived in a foul mood the following day, but the truth is that nothing much has changed except perhaps a growing boredom here with both sides.

Washington is not tilting toward Cairo or toward Jerusalem, but toward Washington. This capital's vital interests are not regional but worldwide, and certainly not identical with either Egypt's interests or Israel's, and frankly officials here have other things to do besides refereeing a propaganda war between Sadat, Begin and Dayan.

Secretary of State Vance did see Sadat's tough Washington speech just before he made it here the other day, and the Carter administration did consciously take Sadat's side on the emplacement of Israeli settlements in disputed territory. Also, Carter proclaimed Sadat to be "the world's foremost peacemaker," but this is not new, and Carter has never been especially noted for understatement.

Hopping Mad

For the last few weeks, officials here have obviously been irritated with Begin and Dayan on the settlements issue. And the White House is hopping mad at Dayan's attack on Carter's settlements statements. Their objective in the Sadat visit was to get him back to the negotiating table, and they purposely played up the settlements question so that Sadat would feel that Washington was prepared to lean on Israel when the administration here thought Begin was wrong.

Accordingly, a decision was taken here to emphasize and re-emphasize Washington's support of UN Security Council Resolution 242, and reaffirm Carter's statement to Sadat at Aswan on Jan. 4. The two key passages covering these points in the White House communiqué follow:

"The settlement must be based on all the principles of Security Council Resolution 242, including withdrawal of Israeli armed forces from territories occupied in 1967, and the right of every state in the area to live in peace within secure and recognized boundaries. Resolution 242 is applicable to all fronts of the conflict."

"There can be no just and lasting peace without resolution of the Palestinian problem. The President (Carter) reaffirmed his meeting with Sadat at Aswan, Jan. 4. There must be a resolution of the Palestinian problem in all its aspects; it must recognize the legitimate rights of the Palestinian people and enable the Palestinians to participate in the determination of their own future."

Same Tune

The administration emphasizes the importance of these two paragraphs because it is basing its policy upon them. But Carter did not weaken in any way the U.S. government's "historic commitment to the security of Israel" and it did not change its position on borders, or its opposition to a Palestinian state. It merely sang a little louder the same tune Begin and Dayan have never liked.

What has changed is the hopeful spirit of the Sadat visit to the Knesset in Jerusalem, and everybody's nerves seem a little rawer now than at the turn of the year. Both sides were talking philosophy then, and now they are talking about political pressure and airplanes and the balance of power.

Sadat wants the U.S. people to put pressure on Israel to give him the peace terms he wants. Israel wants Carter to put pressure on Sadat to moderate his position on the Palestinians and the Israeli settlements on the West Bank and the Sinai. Both sides want the latest U.S. airplanes for themselves and oppose one giving them to the other side.

Still there is no evidence here

that the Carter administration is going to change its middle position or give up pressing for mutual compromises and a comprehensive Middle East settlement.

It is only the rhetoric that has changed. Though Secretary of State Vance not only saw Sadat's National Press Club speech in advance and apparently made a few suggested changes, this is not interpreted by officials here as approval by Vance of all Sadat's stern lectures.

Nor would the State Department spokesman be drawn into an argument over Dayan's latest statement that Sadat was not president of Israel and that neither Sadat nor the United

States has the responsibility for the security of Israel. The spokesman merely replied that the Carter administration had stated its position and Dayan had stated his and let it go at that.

There is some hope here, however, that the two sides may be able to agree to a step-by-step withdrawal of Israeli troops under Resolution 242 over a period of time. Prime Minister Begin referred vaguely to this in Geneva when he spoke of a "transitional period during which there will be phased arrangements."

He wanted to be sure there would be a "real peace between us," he said, and he indicated that this would probably take "a few years."

The Battle of 'Whizkid Gulf'

By William Safire

WASHINGTON—One of the greatest battles of all times is raging at this very moment, and the U.S. Navy is losing. The combat zone: "Whizkid Gulf," the vast area of disagreement that has opened at the Pentagon between former whiz kids of the McNamara era (Assistant Secretaries of Defense Russell Murray and David McGiffert) and our present naval persons (Navy Secretary Graham Claytor and Chief of Naval Operations Adm. James Holloway).

The prize to be won: the national decision to arm or to scuttle the U.S. Navy as a force capable of maintaining "command of the seas" in wartime.

The opening blast was fired late last year, as the Carter administration shot out most of the budget for the P-14 Tomcat naval fighter plane, which many defense analysts thought was our best chance to combat the Soviet Backfire bomber.

Smokescreen

Behind a smokescreen of secrecy, the Navy blazed back with a draft of a "posture statement" that made clear that the U.S. policy would continue to maintain naval "superiority."

The whiz kids—more whiz kids, now—thundered their answer in a secret critique of the Claytor-Holloway posture proposal, a copy of which was stuffed in a bottle and has floated into my hands.

"Change references to 'maritime superiority' or 'superiority' to 'adequacy,'" the critique suggested.

Reason: the term "maritime superiority" is a policy enunciated by the previous administration and is in direct contradiction with the policy of the current administration and secretary of defense. "That will come as news to many Americans. As proof that the policy has changed, the critique (written in the Office of Program Analysis and Evaluation) cites this evidence: 'The SecDef Fiscal Year '79 posture statement does not use the terms 'naval' or 'maritime superiority.' Instead it uses the term 'adequacy' to describe the desired sea control capabilities in a major emergency (page 95 of classified SecDef posture statement).'"

Plant a Word

The bureaucratic trick here is to plant a word in your boss's mouth and then build a policy on it. In the unclassified version of Secretary Harold Brown's posture statement, he says, "We would want to be able to provide sea control forces sufficient to maintain our lines. . . . But in the version with 'secret' stamped on it, that phrase was changed to read: 'We would want to be able to provide adequate sea control forces to maintain our lines. . . .'"

Why the change? "Adequacy" and "sufficient" are synonymous. The reason for the insertion of "adequacy" is so that the whiz kids could have their codeword fall from the top man's lips, to be cited—as it was—in their critique. These are the games bureaucrats play, for the highest security stakes.

Pentagonese

As the smoke clears from the opening engagement of the Battle of Whizkid Gulf, the Navy has been able to navigate around the torpedoes of adequacy and holds fast to the idea of superiority. But the secret "consolidated guidance" from the defense secretary projects a naval "decrement" (that's Pentagonese for the opposite of "increment") of 5 per cent a year, which would bring the Navy down to 800 ships by 1990. You could call that "adequacy."

Harold Brown bids fair to become the Louis Johnson of the 1970s: As the CIA estimates the Soviet navy spend 13 per cent of their GNP for arms, we now project 2 per cent, lowest rate since 1928. They used to say that only in the presidency of a staunch anti-Communist could the opening to Communism take place; in the same way, only in the presidency of a former naval officer could we see the scuttling of the U.S. Navy.

Taxing Vices

President Carter's "tentative" consideration of a "health" tax on the sales of cigarettes and alcohol (Shades of Prohibition) causes me some qualms. If the government wants to voice a somewhat moralistic disapproval of these favored vices, why do they see fit to make more money rather than less out of the sales of tobacco and alcohol? In the case of tobacco, at least, the market is a relatively secure one due to the addictive force of nicotine.

Even though I am a nonsmoker, I've always thought it hypocritical for the government to make any money at all out of cigarettes. I have to wonder why President Carter's morals seem to invariably lead him straight to the money. I can only hope that, in the end, Carter won't turn out to be a smoother, but no less sinister, flip side of Nixon.

JOHN SOSNOWSKI
London.

A Visit To a Sick Pachyderm

By David S. Broder

WASHINGTON—Lincoln's birthday being the traditional time to look in on that perpetually languishing but never quite expired creature, the Republican party, let us gently open the door to the sick room and see if the pale pachyderm is sitting up and taking nourishment on this anniversary.

Why, look there! Bill Brock, the national chairman, has the relic looking almost alive. Its chest is flushed—doubtless with righteous indignation at Jimmy Carter's mistreatment of dear David Marston, the Philadelphia prosecutor. Its pulse is throbbing hard—probably still excited by the defeat of the latest Consumer Protection Agency bill.

There is still a deep bruise on the side, where Ronald Reagan and Gerald Ford collided on the Panama Canal treaties. But that nice young Howard Baker is putting on cold-compress compresses and trying to keep the swelling down.

Money in Bank

On the anniversary of its patron saint, the Republican party appears to be in very good shape—for the shape it's in.

As usual, it has a lot more money in the bank than it has votes in Congress or candidates who can win. But the congressional minority, under Baker and John Rhodes, has exercised its influence disproportionately to its numbers. Even though outgunned 3-to-1 in the House and more than 3-to-2 in the Senate, the Republicans have defeated a batch of Carter bills, stymied others and put the Democrats on the defensive more often than the numbers would indicate was likely.

To an unusual degree, they have shaped and anticipated Carter's policy moves. The last-out arguments the President is making this year bear a remarkable resemblance to the arguments the Republicans were making just a year ago, when Democrats assured us the Republicans were wrong.

Carter's concern for NATO armaments and business confidence is Eisenhowerian in its sincerity. His rhetorical skills make one believe there truly is a Ford in our future, as well as in our past.

In the process of throwing one to the Democratic President, the Republicans have begun to discover their own disagreement are less severe than they imagined. Baker and Rhodes have remarkably unified support from their own ranks on alternative to Democratic proposals on Social Security and economic stimulus. To say nothing of such parties issues as campaign finance law, election-day registration and th like.

Throwing Cues

But cohesive minorities are still minorities and, in that respect the Republicans remain as feeble as they were when the wreckage was cleared after the elections of 1974 and 1976. They are about as weak as a party can be and still claim to be alive.

Their weakness does not show so much at the top as at the bottom. Fully a dozen Republicans are in campaign readiness for the 1980 presidential nomination fight. Not all of them have lost so recently as to be devoid of interest.

But Brock keeps pointing out that electing another Republican president, without rebuilding the party, is just courting some other devil to the tortures of "working with" a Democratic Congress.

So his emphasis, this year, is on the state and local contests—particularly the legislative and gubernatorial races. Their outcome will determine which party can draw the lines in the redistricting coming in almost every state after the 1980 census.

Republican prospects for those statehouse contests look quite good. A number of industrial state Democratic governors are in trouble from taxes, from scandals or, in a few blessed places, from both. Out West, Carter's wiser and farm policies have managed to make a bad Democratic situation worse.

But as we tip-toe out of the sick room, half convinced that by this time next year the end-of-the-line pachyderm will have undergone a particularly pleasurable change, let us pause to remember an ancient adage, given fresh currency by what happened in New Jersey last fall:

As my old father used to say, you can never lose money, in the long run, betting on the Republicans' capacity to foul up their own chances. A year from now, the fabulous invalid will probably still be toes-up, as usual.

After Years of Political Turmoil

China's Army Is Reported Reorganizing for Readiness

By Jay Mathews

HONG KONG, Feb. 10 (UPI)—The Chinese Army appears to be reorganizing its middle and lower officer corps to restore combat readiness and the efficiency that has been lost during the last few years of political turmoil.

Recent official radio broadcasts indicate that many middle-level officers in the nation's 11 military regions are being transferred or demoted, and analysts here say similar shifts not reported in the official press are probably occurring at lower levels.

A Jan. 30 article in the official army newspaper, the Liberation Army Daily, speaks of the need to eliminate "overstaffing, lethargy, extravagance and laxness, and the signs of softness, laziness and neglectfulness in the leading groups of some units."

It and other recent articles recall a 1975 decision by the party's Military Affairs Commission to tighten and consolidate army units. That decision was frustrated by the political power struggle in the months before the death of Chairman Mao Tse-tung in 1976.

"It is imperative to unify our war concepts and be well prepared to fight," a recent editorial in the army newspaper said. "We must simplify our organization and strengthen the companies, organizational discipline must be emphasized and all stress must be put on obeying orders and commands."

Military Maneuvers

The official Chinese press has in the last two weeks reported current or completed military maneuvers in several areas. The army appears to be testing its ability to conduct large-scale operations in the mountains, and to concentrate on reading the works of Mao and other political writings.

Despite repeated official calls for the modernization of the outdated equipment used by the 3.5-million-member armed forces, China's military leaders appear to have decided to limit new military spending until the country can revive its economy. "It is imperative to adhere to the principle of practicing economy in every building," it said. "To do our utmost to save and reduce military

expenditures and to step up our country's economic construction," the army editorial said.

The army has proclaimed a single-minded devotion to reviving the civilian economy and concentrating on foot-soldier training, but some apparent dissent has been heard in the military press. As the most powerful and offensive branch of the government, and perhaps the least affected by the factional strife of the Maoist era, the army seems to be self-confidently making room for criticism of official policy.

Attacks Party Members
The Liberation Army Daily early last month began a series of attacks on party members belonging to factions it described as "windblown," "slippery" and "earthquake-making." Some of the attacks seemed to be aimed at people still holding high party positions and the civilian press hesitated before reprinting the army articles.

The theoretical group of the National Defense Scientific and Technological Commission broadcast what appeared to be an attack on official support for Mao's concept of using guerrilla war against well equipped enemy armies, while gradually improving the quality of Chinese equipment. "Anyone who still thinks that in any future war against aggression it will be possible to use broadsword against guided missiles and other nuclear weapons of imperialism and social imperialism is evidently not prepared to possess all the weapons and means of fighting," the commission group said. "This is foolish."

Zurich Puts Off Tax Bill Ruling On Solzhenitsyn

ZURICH, Feb. 10 (AP)—Zurich authorities today affirmed that Alexander Solzhenitsyn is a bona-fide taxpayer despite their disputed claim of an unsettled bill of about \$2 million.

Breaking a two-week silence on the case, the Zurich State Finance Department issued a statement saying its case against the Nobel Prize laureate was "complicated and needed further clarification," but that it was already certain he acted in "good faith."

At least one royalties from Mr. Solzhenitsyn's best-selling "Gulag Archipelago," which were directed into a tax-free social fund set up by the author for the families of dissidents in the Soviet Union. That fund was set up after Mr. Solzhenitsyn irrevocably renounced all royalties from his books.

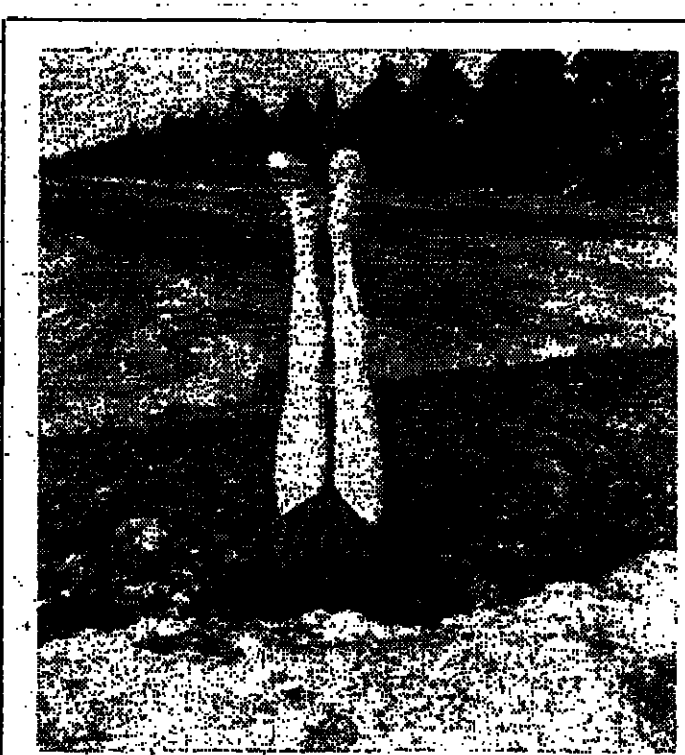
The tax administration holds that even though Mr. Solzhenitsyn did not keep the royalties, he was the first recipient and thus is liable to pay taxes on them. A decision in the case is likely to take several months. "Faith in the Third World," a Swiss human rights group in touch with Russian dissidents, said that up to last November about \$210,000 have been paid out of the fund to families of imprisoned dissidents "despite Soviet chicanery."

Red Army Ends Winter Games

MOSCOW, Feb. 10 (AP)—Red Army tank and aircraft units ended five days of winter maneuvers today and Western military observers who were permitted to attend said they found the Soviet troops well organized and "quite impressive."

The observers, including U.S. and British officers permitted to watch Soviet war games since the 1945 World War II, spent four days at the games near Minsk. Some 25,000 Soviet soldiers and airmen took part in the exercises, which stressed the coordination of air and ground forces.

Officers said that they were shown only a "very accurate" sand-table mock-up of the planned maneuvers on the first day of the exercise, out of scale and with few details, but later were taken on detailed visits to several units.



HEADS-UP PUBLICITY—Motorists in Fort Morgan, Colo., first thought it was simply a case of a jogger doing a headstand in an ice-filled dip in a street. As it turned out, it was photographer James Carroll's way of attracting attention of city officials to dangers posed by overflowing drainage channel.

Familiar Strains Blamed

U.S. Reports 3,000 Deaths Due to Influenza, Pneumonia

ATLANTA, Feb. 10 (AP)—More than 3,000 deaths have been attributed to influenza and pneumonia in the United States in the last four weeks, the National Center for Disease Control here reported yesterday.

The center said that apparently virtually all of the deaths were caused by flu strains other than the Russian flu. An outbreak of Russian flu was reported Jan. 26 among high school students in Cheyenne, Wyo., and there have been other cases. The Russian flu strain was first reported in December in the Soviet Union and Hong Kong.

Laboratory tests confirmed Russian flu as the culprit in recent outbreaks in Colorado, Michigan, Texas and New York, in addition to Wyoming, the CDC said. Many of these cases were among young military personnel.

Other viruses, including the more familiar A-Texas and A-Victoria strains, have been reported in practically every state, the CDC said.

Familiar Virus Strains
Although it is too early to determine the exact number of deaths attributed to influenza and pneumonia this winter, the CDC's reporting system involving 121 cities shows that, in the last four weeks, when 3,000 deaths have been reported, there have been somewhat more than 3,000. On that basis, the CDC is calling it an epidemic.

It would appear that the level of intensity is below the last epidemic, which occurred in spring, 1976, when there were 20,000 deaths, said Don Berrett, CDC public affairs spokesman.

Trouble at Walvis Bay

Major Controversy Brewing On Future of Namibia Port

By John F. Burns

WALVIS BAY, South Africa, Feb. 10 (UPI)—When people reach for an analogy, they compare this tiny enclave on the Atlantic coast of South-West Africa (Namibia) to Hong Kong. But on a blowy weekend afternoon, with whitecaps cresting a grayish sea and sand whipping off the surrounding desert, pelicans diving for fish are the most colorful sight to be seen.

Residents concede that little stir here except in the harbor, which is the only major port on a 1,400-mile stretch of Africa's Atlantic coast.

"You've seen the ships, that's it," said Martin Corbett, a mechanic. He discussed the local scene between wagers at the betting shop, which is linked by telephone to horse racing in South African cities 1,000 miles away.

Although its detractors call it dreary, those caught up in the struggle over its future consider the community of 25,000 persons anything but a bore. The enclave's status has become a major issue since South Africa, preparing to end its rule of South-West Africa, announced last year that it had no intention of relinquishing control of the territory's only deep-water port.

Foreign Outpost
The South African stand gave currency to the comparisons with Hong Kong. Unless the South African government has an unexpected change of mind, Walvis Bay will become a foreign outpost on the territory of an independent country, handling much of that country's trade, much like Britain's colony on the coast of China.

The South-West Africa People's Organization, the nationalistic group waging a guerrilla war against a South African army in the northern reaches of the territory, has denounced South Africa's plans for the 430-square-mile enclave as illegal. But South African officials have stood firm, saying only that they are prepared to discuss the issue with the eventual government of Namibia, as the territory is to be known. South Africa bases its

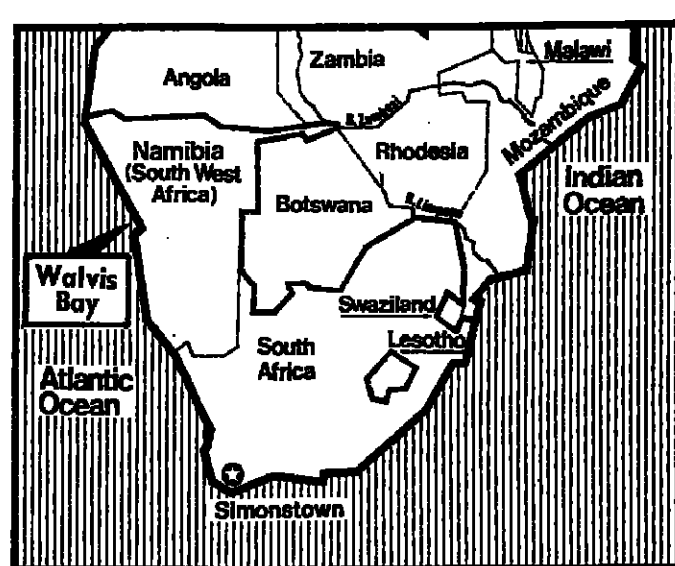
stand on a peculiarity of history. Although U.S. whaling crews seeking fresh water set foot here early in the 19th century, and other European navigators probably made landfalls long before, the first permanent settlement was established by Britain, which took control of the area for its navy in 1878.

Imperial Germany, a latecomer in the scramble for Africa, staked claim to the arid hinterland six years later, establishing a colony that lasted until a South African army overpowered the small German garrison in 1915. But Walvis Bay remained a British enclave from the outset, first as part of the colony at the Cape of Good Hope, and after 1910 as part of South Africa.

Mandate Granted
After 1920, when South Africa was granted a mandate over South-West Africa by the League of Nations, the port and the surrounding area were administered as part of the territory. The juridical link with the rest of the vast semidesert region lasted until five months ago, when a South African proclamation returned the enclave to Cape Province, with the proviso that it would continue to be governed for the time being from Windhoek, the territorial capital.

Privately, senior South African officials have hinted that they may agree to surrender the port to Namibia if the government of the new country proves "friendly" toward South Africa, which will continue to have major interests in the territory. This raises the possibility that the enclave could become a bargaining chip with the Soviet-backed militant of SWAPO, who are pledged to widespread nationalization of foreign interests if they take power.

Among the 10,000 whites in the enclave, about 70 per cent of



whom are Afrikaners, the predominantly Dutch-descended people who rule South Africa, there is little desire for a deal that surrenders the port to a black government. "The things that happened in Angola, we wouldn't like to see them happen here," said Nels Dreyer, a former mayor, referring to the exodus of Portuguese settlers from the country that borders South-West Africa to the north.

At a railroad siding is a hint of the bargaining power South Africa will have with the government that takes over in Windhoek. Black workers, most of them migrant laborers brought in on contract from Ovamboland in the far north, use a forklift at the siding to unload steel ingots brought in by rail from a U.S.-owned mine at Tsumeb, in the northeast.

Except for the diamonds mined on the beaches in the south, almost all the mineral exports of South-West Africa, which account for the bulk of its foreign exchange, move through the port, which also receives a large proportion of the region's imports, including oil. Apart from a minor port at Luderitz further south, which is too small for the larger ocean-going vessels, the only other means of moving goods to market is by road or rail to South Africa. After work, many of the black

workers repair to an open area back from the seaford that they have dubbed "sandy hotel." There, seated on old tires, cardboard boxes and seats taken from abandoned cars, they drink a maize-based beer, matombo, produced by illegal stills, and discuss work and politics. Despite language barriers, all those asked made it clear they backed SWAPO.

"One nation, one Namibia," one cried, raising his glass, prompting a chorus of the SWAPO slogan from his companions. Putting aside his glass, the man asked a stranger whom he took for a South African to take a message to Prime Minister John Vorster. "Tell him to get out of our place," he said, meaning the port.

Milan, Turin Hit By Heavy Snow

MILAN, Feb. 10 (UPI)—Six inches of snow fell on Milan and Turin today, causing traffic chaos. Milan's Linate and Malpensa airports were closed to traffic. Villages in the hills around Turin reported up to a foot of snow.

Genoa and much of the Italian Riviera reported the first snowfall in years. Snow also fell in the Bologna area and inland from Venice.

Giscard's Rating Up in Poll, While Barre's Drops

PARIS, Feb. 10 (Reuters)—French Prime Minister Raymond Barre has slipped in popularity, according to an opinion poll today, which shows that less than five weeks before general elections 48 per cent of voters questioned are dissatisfied with his performance. The figure compares with 46 per cent who were unhappy with the Prime Minister in January.

But the popularity of President Valéry Giscard d'Estaing is rising, according to the poll published in today's France-Soir newspaper.

The poll showed that 56 per cent of those asked are satisfied with the President, compared with 55 per cent last month, and 38 per cent are dissatisfied, compared with 37 per cent in January. The rest were made up of "don't know."

The poll follows a recent speech by the President advising Frenchmen on the "right choice" in the elections, and warning that he could not prevent the left carrying out its program, which includes widespread nationalization, if it came to power.

Italy Kidnappers Slew Victim

NAPLES, Feb. 10 (Reuters)—A kidnap gang shot dead their hostage after his blindfold fell off and he saw their faces. A court here was told.

But the five kidnappers admitted in court last night that they had carried on negotiating with the family of Naples businessman Michelangelo Ambrasio. 49, several weeks after he was murdered.

His family paid 600 million lire (\$700,000) in ransom after he was shot. The body has not yet been found.

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FINANCE

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Japan Import Licenses Decline 15% in Month

OKYO, Feb. 10 (AP-DJ).—Imports licensed in January totaled \$5.615 billion, down 14.9 per cent from \$6.6 billion in December but up 2.8 per cent from the year-earlier month, the Ministry of International Trade and Industry said today. On a basis, licensed imports totaled \$5.55 billion last month, or 17.3 per cent from December and down 14.5 per cent from a year earlier.

In December on a dollar basis, licensed imports had fallen 4.9 per cent from a year earlier and 3.9 per cent from the prior month, but the yearly drop is due to a bulge in nuclear energy imports in December, 1976.

MITI announced yesterday at January certified exports rose 22.4 per cent from a year earlier to \$2.86 billion, but were down from a record \$3.01 billion in December.

Imports licensed from the United States in January fell per cent from December and

15.9 per cent from a year earlier to \$1.061 billion. Those from the European Economic Community were up 9.7 per cent from the prior month and 23.2 per cent from a year earlier to \$346.65 million.

Import licensing indicates trends in the short-term, but is largely a formality to make sure imports meet domestic laws and procedures.

Ship Bankruptcies
Meanwhile, a chain reaction of business failures of the shipbuilding and shipping-related concerns emerged in Japan today, a sign of increasing deterioration in the recession-plagued industry.

Underlining the problems of the shipbuilding industry, it was also announced that export ship contracts received in January fell 43.8 per cent from a year earlier in terms of tonnage.

An Osaka-based shipping company, Daiwa Kaikan KK, applied for composition with its creditors at district court today with debts estimated at about 20 billion yen, according to a private credit inquiry agency.

The Daiwa failure stems from the failure, already reported, of Shin-Yamamoto Dockyard Co., a Kobe-based shipbuilder, which has liabilities estimated at 24 billion yen, the second largest shipbuilding failure after Hashihama Zosen KK, which went under last December with debts of 45 to 50 billion yen.

Related to Daiwa Kaikan, Asahi Kasei KK, Tokyo-based marine equipment trader, applied today for liquidation with Tokyo district court with debts of 20 billion yen.

Asahi Kasei is also affiliated with Nippon Yusen KK (NYK Lines), the world's largest shipping company in terms of ships owned.

The Japan Ship Exporters' Association said today that export ship contracts obtained in January involved 20 vessels totaling 159,680 gross tons, valued at 45,949 billion yen, a tonnage drop of 43.8 per cent from a year earlier.

The association said the export ship order backlog as of the end of January came to 470 vessels, which total 3,268,000 gross tons.

Of the total, 245,000 gross tons were accounted for by ships for which contracts were due for cancellations, and 679,000 tons by ships completed but laid up at shipyards at the request of orders.

Hence, the net order backlog was 7,944,000 tons, less than 15 per cent of the 50,240,000-ton peak in March, 1974.

Dollar Declines As Franc Firms In Quiet Trading

LONDON, Feb. 10 (AP-DJ).—The dollar came under somewhat heavy pressure late today on the foreign exchange market in Europe and it slipped from its intraday highs against such currencies as the deutsche mark and Swiss franc.

"The dollar collapsed at the end. It looks like it was a heavy commercial unwinding of dollar positions taken over the last three days," one trader said. He said West German interest may have been involved, but noted that the Swiss franc, particularly benefited by the action.

Against the Swiss franc, the dollar lost 1 centime at 196.00 francs. It shed a quarter of a pfennig against the deutsche mark at 2.1069 marks.

Otherwise, dealings were described as very quiet, with rates following a steady course until the last hour of trading in Europe.

Some concern was voiced about the U.S. wholesale price rise of 0.5 per cent in January. While dealers said the figures added fuel to worries about inflation, the dollar showed little immediate reaction to the news.

The French franc gained some ground and dealings in the French currency were less agitated than of late. Against the French franc, the dollar lost 1.33 centimes at 4.8850 francs.

Sterling was steady at \$1.9353 compared with \$1.9355 overnight. Against the yen, the U.S. currency was little changed at 241.35 yen, down 5 points. The dollar dropped 50 points against the guilder at 2.2535 guilders.

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Stable or Rising Dollar Would Help

Wall St. Pins Hopes on Foreign Buyers

NEW YORK, Feb. 10 (AP-DJ).—One of the more plausible hopes capturing the hearts of some market observers in recent weeks is that the dollar will firm and that foreign investors then would become heavy buyers of U.S. stocks once again. In theory, this would provide the base needed by the faltering stock market and put some backbone into cash-rich institutional investors here.

It is an interesting theory. Foreigners, after all, have had good reason to hold back on stock purchases while the dollar value of those stocks was declining in relation to their own currencies, aside from any market price declines, and it is conceivable that a stable or rising dollar would prompt them to return to the U.S. stock market.

But some Wall Street portfolio strategists do not think the market's current weakness will be as easily cured, as all that and continue to advise caution to their institutional clients.

"We suspect the foreign-buying view may overstate the aggressiveness of most foreign investors," says Marshall Ansell Jr. of Smith Barney, Harris Upham & Co. "I'm not saying it won't happen but we don't think it's going to be it. Any near-term turn is likely to be very volatile and

this would indicate to us that a firm footing hasn't yet been established for a significant and sustained move up." Besides, he adds, foreign buyers have tended to be on the safe side of market moves "and I'm not sure that has changed."

Mr. Ansell believes the most likely source of the market's badly needed stabilizing influence is the individual investor, who remains sensitive to yield and to the relatively better returns he perceives in alternative investments.

However, "with the exception of utilities, common stocks continue to generate little enthusiasm from individuals," he says. "Until this changes, we would hold any upward move in the market suspect."

Mr. Ansell believes that periodic market rallies may, indeed, coincide with recovery moves of the dollar, but he expects currently negative investor sentiment to prevail over the next six months.

Beyond that, he believes "the beginning of a meaningful move in the stock market might be possible" by late summer if investors have a clearer focus by then on the economy's momentum and Federal Reserve Board policies under a new chairman, among other things.

"We feel the requirement for a better

market is some slowing of economic growth and less negative inflationary trends, which would tend to take some of the upward pressure off interest rates," he says. Meanwhile, Smith Barney continues to advise clients to hold cash reserves ranging from 10 per cent to 30 per cent of assets, depending on desired portfolio risk, and fixed-income holdings equal to 20 per cent to 40 per cent of assets.

"A better buying opportunity in the bond markets may occur in the months ahead," says Mr. Ansell. "In the meantime, we prefer rolling over short-term paper at yields exceeding 6 per cent. Bond investments should focus on the highest quality because the spread remains uncomfortably narrow between low and high-quality paper. U.S. Treasuries are the preferred vehicle, particularly intermediates, for any current purchase programs."

"Equities should be largely yield and domestic oriented. Utilities continue to comprise a major portion of our portfolio. Some value is apparent in selected steels and coppers. We continue to favor the drug group in the growth category. Selected issues in lodging, beverages, packaged foods, insurance and housing are attractive," Mr. Ansell thinks.

Corporate Clients Go to Other Sources

Big N.Y. Banks Say Loan Activity Is Still Very Slow

NEW YORK, Feb. 10 (AP-DJ).—Although U.S. business loan demand continues to rise throughout the nation as the economy improves, the biggest New York banks are still experiencing unusual difficulties drumming up business as their large corporate customers are turning increasingly to other sources.

Business loan demand among major New York banks "is still very, very soft," David Rockefeller, chairman of Chase Manhattan Bank, said in an interview. "We have noticed some slight increase and we have seen a few indications corporations are taking out capital construction plans and dusting them off. But I am afraid there has been nothing very dramatic yet."

Donald Woolley, chief economist of Bankers Trust Co., says the bank's lending officers "still don't perceive all that much strength in loan demand." The main reason, he said, is "our largest customers have numerous competitive alternatives," such as the commercial paper market or borrowing abroad. "We tend to get loan growth late in the cycle when corporate spending picks up, especially the bricks and mortar type," Mr. Woolley added.

Shown in Fed Data

This trend was underscored by the latest weekly figures released by the Federal Reserve Bank of New York yesterday. Commercial and industrial loans on the books of leading New York banks declined by \$88 million in the week ended Wednesday.

What was the seventh consecutive weekly decline, making a total decline of \$2.45 billion for that period. In the previous week, commercial and industrial loans fell \$251 million, the Fed reported. In the like 1977 week, commercial and industrial loans estimated that bankers' acceptance increased \$146 million.

In the latest week, the Fed notes, or trade bills, declined about \$70 million. Such bills are normally considered money market instruments but are counted as loans when held by banks.

They represented the single largest area of decline during the week, followed by decreases in loans to gas and electric utilities and to retail trade, a Fed spokesman said. There were increases in loan demand from food, liquor and tobacco companies, the wholesale trade and service industries, he said.

Swiss Jobless Level Rises by 30 Per Cent

BERN, Feb. 10 (AP-DJ).—Swiss unemployment rose 30 per cent in January from December, 1977, but still was 28 per cent below the level in January a year earlier, official figures showed.

At the end of January, a total of 15,097 persons were unemployed, up 3,531 from the end of December. The unemployed represented about 0.5 per cent of the labor force.

The Fed's weekly money supply figures, normally released each Thursday, were delayed this week due to the snowstorms in the East.

The slowness in loan demand from major corporations is continuing in six dimensions among bankers and regulators. During a luncheon speech yesterday to the New York State Bankers' Association, Paul Volcker, president of the Federal Reserve Bank of

Sign of U.S. Inflation Rise Seen in Wholesale Price Gains

WASHINGTON, Feb. 10 (AP).—New warnings of worsening inflation were signaled today by a government index that measures prices received by wholesalers.

The Labor Department's index of finished goods prices, the last stage before consumers buy products, rose 0.6 per cent in January. The increase was about the same as monthly increases last fall, as food prices continued a steady climb.

However, prices rose more sharply in early stages of production, indicating further price increases may be on the way. A more rapid pace of inflation was particularly pronounced at the intermediate stage of production, partly because the unusually high level of residential construction activity resulted in higher prices for most construction-related products, the department said.

The price index for crude goods, such as mining and farm products, rose 2 per cent in January, the fourth straight monthly increase. Prices at the intermediate stage, where commodities require further processing, rose 0.9 per cent, the largest increase since last April.

Prices for all wholesale commodities rose 0.9 per cent, the biggest increase since a 1-per-cent rise last April. The department had depended on the all-commodities wholesale price index until December but is phasing it out on grounds it exaggerates the impact of inflation by counting many price increases more than once.

Wholesale Prices Drop 1.5 Per Cent in Japan

TOKYO, Feb. 10 (AP-DJ).—Wholesale prices during January fell 1.5 per cent from a year earlier and 0.1 per cent from December, due largely to the appreciation of the yen, bringing the wholesale index down to 105.5 (1975 equals 100), the Bank of Japan said.

The January decline follows an equal 1.5-per-cent year-to-year drop in December—the first annual drop since 1971. Prices have declined on a month-to-month basis since October, when they fell 0.2 per cent from the prior month.

EEC Protests To Japan on Aides's Speech

BRUSSELS, Feb. 10 (AP-DJ).—The Common Market Commission protested today about remarks attributed to Japan's Minister for External Economic Affairs, Nobutake Ushiba, concerning EEC efforts to wrest trade concessions from the Japanese Government.

The oral protest was made by Jacques Delors, director general for external affairs of the commission, to the Japanese mission to the EEC. A Commission spokesman said Mr. Delors asked a mission to relay to its government the EEC's "surprise and concern" over remarks that Mr. Ushiba reportedly made at a dinner at the Tokyo Harvard Club RT, Feb. 10.

The spokesman said the EEC is especially irritated over Mr. Ushiba's remark that his friends in Europe would like to telegraph a whole procedure we had with a United States from September through January into a short time from now until the end of March. Mr. Ushiba added that it would be "a difficult enterprise."

Mr. Delors reminded the Japanese, he said, that talks on ending around the world in Japan's economy, the growing trade surplus with the EEC began early in December, when Mr. Ushiba visited Brussels, and have been continuing since.

EEC foreign ministers at a meeting last Tuesday agreed to ask for a reversal in the current trend of the Japanese trade surplus by mid-1978 and expressed hope that the Japanese would make a good-faith gesture before EEC government officials held their spring summit in Copenhagen April 7-8.

Big Five' Aides Are Said to Set Finance Meeting

LONDON, Feb. 10 (AP-DJ).—Members of the world's five leading industrialized nations are expected to meet in Paris over the weekend, informed European sources said today. In Washington, the Treasury said that Secretary Michael Blumenthal is scheduled to visit on Monday to discuss economic issues with Chancellor Helmut Schmidt and that he was expected to be in Paris either over the weekend or after the 11 to Bonn.

In London, a spokesman for the Treasury said that he could either confirm or deny the report of a weekend meeting in Paris. French officials refused comment on the report.

The expected meeting in Paris is expected to proceed to Basel for a regular monthly meeting with more of their colleagues on other industrialized nations on the Bank for International Settlements.

Motorcycle Output Increases in Italy

MILAN, Feb. 10 (AP-DJ).—Italy's production of motorcycles rose 12.7 per cent to more than 2 million units in 1977, from 1.8 million in 1976, according to the Association of Motorcycle Manufacturers on the basis of still provisional data.

Out of the total about 900,000 units were motorcycles below a cylinder capacity of 50 cubic centimeters.

SEC May Take Over Futures Trading Unit

By Colleen Sullivan

WASHINGTON, Feb. 10 (WP).—The Securities and Exchange Commission has dealt the tiny Commodity Futures Trading Commission a devastating blow by proposing to take over the regulatory authority for the rapidly growing financial futures markets or, alternatively, to assume all of the CFTC's functions.

In a 10-page memorandum to the General Accounting Office which has been obtained by The Washington Post, the SEC cited two primary reasons for the proposal: The surveillance difficulties that both agencies encounter under the present setup, and the "potential for manipulative and other adverse effects on the markets" as the futures industry expands into financial and capital-raising systems.

According to the document, the GAO requested the memo for a major audit of the CFTC undertaken as part of the reauthorization review of the 3-year-old agency. Reauthorization and budget hearings for the CFTC are scheduled for the week of Feb. 21 by four congressional subcommittees.

The beleaguered agency is expected to undergo rigorous scrutiny for its past performance, especially its administrative practices and its difficulties in enforcing federal regulations against widespread fraud in London commodity options sales.

A Hinge Task
While both critics and friends point to the awesome task the agency faces in regulating the \$1-trillion-volume commodity markets, they have been quick to point out in the past that the intrinsic differences between commodity and securities markets require a vastly different regulatory approach.

The SEC memo notes this. "The basic regulatory goals of securities and futures legislation have necessarily been different," the document states. "The futures markets were not intended to, and do not—have a capital-raising function similar to the securities markets. They were not intended to be 'investment' markets."

The SEC proposal would affect futures trading of Government National Mortgage Association certificates, Treasury bills, Treasury bonds and U.S. government securities. Currently the Chicago Board of Trade and Chicago Mercantile Exchange make such markets. A division of the American Stock Exchange, the American Commodity Exchange, asked the CFTC on Monday for permission to trade Ginnie Mae futures.

Too Much to Do
SEC sources said the problems encountered by the CFTC indicate that it has too many markets under its jurisdiction to do justice to them all.

"We're fearful that without strict surveillance and enforcement, situations like the one in commodity options could develop and the CFTC is just powerless to do anything about it," one official said. "They're new, they don't have 40 years behind them like we do, and they don't have our resources."

That may well be an understatement. The CFTC, with an annual budget of \$18.1 million, has 100 employees.

PARIS, Feb. 10 (AP-DJ).—The French government has authorized French auto builders to increase the prices of their cars by an average of 3 per cent, effective Feb. 13.

and a staff of 484, is responsible for 11 commodity exchanges that trade futures and physical contracts in scores of items. The annual volume of commodity trading in the United States, including \$200 million to \$300 million in London commodity options sales, ran well over \$1 trillion last year.

In sharp contrast, the SEC has a staff of more than 2,000 and a budget of more than \$50 million to supervise the nation's eight stock markets and the over-the-counter and bond markets. The stocks markets total less than \$200 million annual volume, according to the SEC annual report.

Late Rally Fails to Lift N.Y. Prices

NEW YORK, Feb. 10 (IHT).—The stock market today dipped moderately, reflecting worries about inflation and renewed weakness of the dollar in overseas exchange markets.

The closing Dow Jones industrial average was off 1.32 to 775.99. It was down 1.13 at 3 p.m. Volume totaled 19.48 million shares compared with 17.94 million yesterday.

Some 685 issues declined while about 675 advanced.

An afternoon recovery move, lifting the Dow Jones industrial average briefly into plus territory, faded in the final hour. Analysts said traders became cautious in view of the Federal Reserve's money supply report, normally due Thursday but delayed until today because of the heavy snow storm in the East.

But after the market close, the Fed reported a drop of \$1.7 billion in basic money supply and a \$1.2-billion decline in the broader measure.

Weighing on the market was a government report prior to the opening that the wholesale price index for January rose by 0.5 per cent—the biggest monthly rise since last April.

Commenting on the lack of buying interest, Fred Kalkstein of Salomon Brothers & Co. said the difficulty has been "a lack of evidence that the market is approaching an intermediate bottom."

Mr. Kalkstein did not rule out the possibility the market will decline to its 1974 bear market lows, although he predicted the drop would not occur in a straight line.

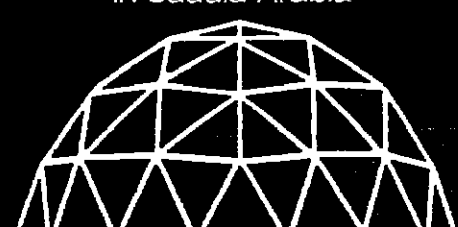
Norway Cuts Kroner Value

COPENHAGEN, Feb. 10 (AP).—Finance ministers and central bankers representing the member nations of the European joint currency arrangement, or "snake," decided to devalue the Norwegian kroner by 8 per cent within that arrangement, the Danish central bank announced late today.

The measure was taken at the request of the Norwegian government and reflected that country's adverse balance of payments situation, the announcement said.

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NYSE Nationwide Trading (3 O'clock) Feb. 10

Eurocurrency

Interest Rates	German	Swiss	French	Sterling
1 M.	6 1/4	6 1/4	6 1/4	6 1/4
3 M.	6 1/4	6 1/4	6 1/4	6 1/4
6 M.	6 1/4	6 1/4	6 1/4	6 1/4
1 Y.	6 1/4	6 1/4	6 1/4	6 1/4

European Gold Markets

Gold	Price	Change
London (12.5 kilo)	174.00	+1.25
Paris (12.5 kilo)	173.50	+1.25

U.S. dollars per ounce.

International Stock Indexes

Index	Value	Change
Amsterdam	151.80	+1.20
Brussels	151.80	+1.20
Frankfurt	151.80	+1.20
London	151.80	+1.20
Madrid	151.80	+1.20
Paris	151.80	+1.20
Rome	151.80	+1.20
Stockholm	151.80	+1.20
Zurich	151.80	+1.20

U.S. Commodity Prices

Commodity	Price	Change
Wheat	1.15	+0.01
Corn	1.15	+0.01
Soybeans	1.15	+0.01
Cotton	1.15	+0.01
Gold	1.15	+0.01
Silver	1.15	+0.01
Platinum	1.15	+0.01
Palladium	1.15	+0.01
Rhodium	1.15	+0.01
Iridium	1.15	+0.01

NYSE Nationwide Trading (3 O'clock) Feb. 10

Stock	Price	Change
IBM	151.80	+1.20
AT&T	151.80	+1.20
GE	151.80	+1.20
Westinghouse	151.80	+1.20
General Electric	151.80	+1.20
Westinghouse Electric	151.80	+1.20
General Electric Co.	151.80	+1.20
Westinghouse Electric Co.	151.80	+1.20
General Electric Co.	151.80	+1.20
Westinghouse Electric Co.	151.80	+1.20

Selected Over-the-Counter Stocks

Stock	Price	Change
Amstar	151.80	+1.20
Amstar Corp.	151.80	+1.20
Amstar Inc.	151.80	+1.20
Amstar Corp.	151.80	+1.20
Amstar Inc.	151.80	+1.20
Amstar Corp.	151.80	+1.20
Amstar Inc.	151.80	+1.20
Amstar Corp.	151.80	+1.20
Amstar Inc.	151.80	+1.20
Amstar Corp.	151.80	+1.20

NEW YORK FUTURES

Commodity	Price	Change
Wheat	1.15	+0.01
Corn	1.15	+0.01
Soybeans	1.15	+0.01
Cotton	1.15	+0.01
Gold	1.15	+0.01
Silver	1.15	+0.01
Platinum	1.15	+0.01
Palladium	1.15	+0.01
Rhodium	1.15	+0.01
Iridium	1.15	+0.01

W-X-Y-Z

Stock	Price	Change
IBM	151.80	+1.20
AT&T	151.80	+1.20
GE	151.80	+1.20
Westinghouse	151.80	+1.20
General Electric	151.80	+1.20
Westinghouse Electric	151.80	+1.20
General Electric Co.	151.80	+1.20
Westinghouse Electric Co.	151.80	+1.20
General Electric Co.	151.80	+1.20
Westinghouse Electric Co.	151.80	+1.20

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London Metals Market

Commodity	Price	Change
Gold	1.15	+0.01
Silver	1.15	+0.01
Platinum	1.15	+0.01
Palladium	1.15	+0.01
Rhodium	1.15	+0.01
Iridium	1.15	+0.01

London Commodities

Commodity	Price	Change
Wheat	1.15	+0.01
Corn	1.15	+0.01
Soybeans	1.15	+0.01
Cotton	1.15	+0.01
Gold	1.15	+0.01
Silver	1.15	+0.01

Chicago Futures

Commodity	Price	Change
Wheat	1.15	+0.01
Corn	1.15	+0.01
Soybeans	1.15	+0.01
Cotton	1.15	+0.01
Gold	1.15	+0.01
Silver	1.15	+0.01

Market Summary

Index	Value	Change
NYSE	151.80	+1.20
Amex	151.80	+1.20
Nasdaq	151.80	+1.20

Dow Jones Averages

Index	Value	Change
Dow Jones	151.80	+1.20
Industrial	151.80	+1.20
Transportation	151.80	+1.20

Standard & Poor

Index	Value	Change
Standard & Poor	151.80	+1.20
Industrial	151.80	+1.20
Transportation	151.80	+1.20

NYSE Index

Index	Value	Change
NYSE	151.80	+1.20
Industrial	151.80	+1.20
Transportation	151.80	+1.20

Odd-Lot Trading in N.Y.

Stock	Price	Change
IBM	151.80	+1.20
AT&T	151.80	+1.20
GE	151.80	+1.20

American Most Actives

Stock	Price	Change
IBM	151.80	+1.20
AT&T	151.80	+1.20
GE	151.80	+1.20

Toronto Stocks

Stock	Price	Change
IBM	151.80	+1.20
AT&T	151.80	+1.20
GE	151.80	+1.20

Montreal Stocks

Stock	Price	Change
IBM	151.80	+1.20
AT&T	151.80	+1.20
GE	151.80	+1.20

International Bonds Traded in Europe

Bond	Price	Change
IBM	151.80	+1.20
AT&T	151.80	+1.20
GE	151.80	+1.20

Currency Rates

Currency	Rate	Change
USD	1.15	+0.01
EUR	1.15	+0.01
GBP	1.15	+0.01

Friday's New Highs and Lows

Stock	High	Low
IBM	151.80	151.80
AT&T	151.80	151.80
GE	151.80	151.80

Dutch Industrial Output

Index	Value	Change
Dutch Industrial	151.80	+1.20
Manufacturing	151.80	+1.20
Construction	151.80	+1.20

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AT&T	151.80	+1.20
GE	151.80	+1.20

PART

ONE

FOCUS ON

SAUDI ARABIA

Unique Wealth Propels the Kingdom to Global Influence

Conservative Power Dons More Assertive Diplomacy

By Joseph Fitchett

JEDDAH (HT)—Holding the oil deterrent in a world gripped by an energy crisis, Saudi Arabia has suddenly emerged as a key player in the Middle East and an important international factor in both politics and economics.

Overnight, Saudi diplomacy has become more assertive, using oil wealth and prestige to counter radical trends in the Middle East and to block Soviet influence while expanding ties with the United States and Western Europe.

Long a reluctant oil giant, which sought protection in self-effacement and cautious avoidance of risks, Saudi Arabia has become much more activist, particularly since the new team of leaders took control in 1975. Despite this change in style, the substance of Saudi foreign policy remains the traditional one of maintaining the political climate that enables this nation to capitalize on its oil and wealth without outside interference, say diplomats in this "administrative capital" of the kingdom: Embassies traditionally were not allowed to operate in Riyadh, the "royal capital"—a policy which is just changing as part of this kingdom's opening up to modern government.

The major Saudi safeguard is probably superpower détente with its implications for regional stability; but Saudi policy looks after its local interests by pursuing objective moderation in the Organization of Petroleum Exporting Countries (OPEC), negotiating settlement of the Arab-Israeli conflict, Muslim solidarity and the eradication of left-wing regimes in proximity to the kingdom.

Own Durability

From the kingdom's inception, the Saudi leadership has been convinced of its own durability. It left with its original tribal population. The virus of Arab radicalism that could challenge its legitimacy and destroy its rule could not successfully penetrate the region only through non-Muslim foreign forces, principally the Soviet Union. This resistance to foreign intervention has been implemented by Saudi advocacy of the idea that the whole of Arabia, sacred birthplace of Islam, should be free of alien presence.

The mood of "greatness thrust upon them" as Saudi Arabia's prestige and wealth emerged after the 1973 war, is enhanced by the activist temperament of the new Saudi foreign policy elite: besides King Khalid, Crown Prince Fahd, a vigorous man, takes an active interest in foreign affairs; Foreign Minister Prince Saud, 37, the Princeton-educated son of King Faisal, has taken over the foreign policy; Prince Turki, another son, has taken over some functions from special advisor Kamal Adham, although the latter retains special responsibility for Egypt, which is the prime regional target of Saudi foreign policy. Egypt—traditionally counted as "half the Arab world" because of its settled mass population and central geographic position—has always been a strong, close influence just across the Red Sea; the relationship between King Faisal and President Nasser changed to open hostility in the 1960s during the proxy war in North Yemen. Subsequently, Saudi strategists have attached particular importance to moving the Egyptian of President Sadat out of its socialist orientation and into a cooperative relationship with Washington.

In its new, powerful role, Saudi Arabia has been thrust to the front rank of U.S. allies, behind West Germany and Japan. The Saudis talk about their "very special relationship" with the United States. There is a basic trade-off: Saudi Arabia helps meet the energy needs of the

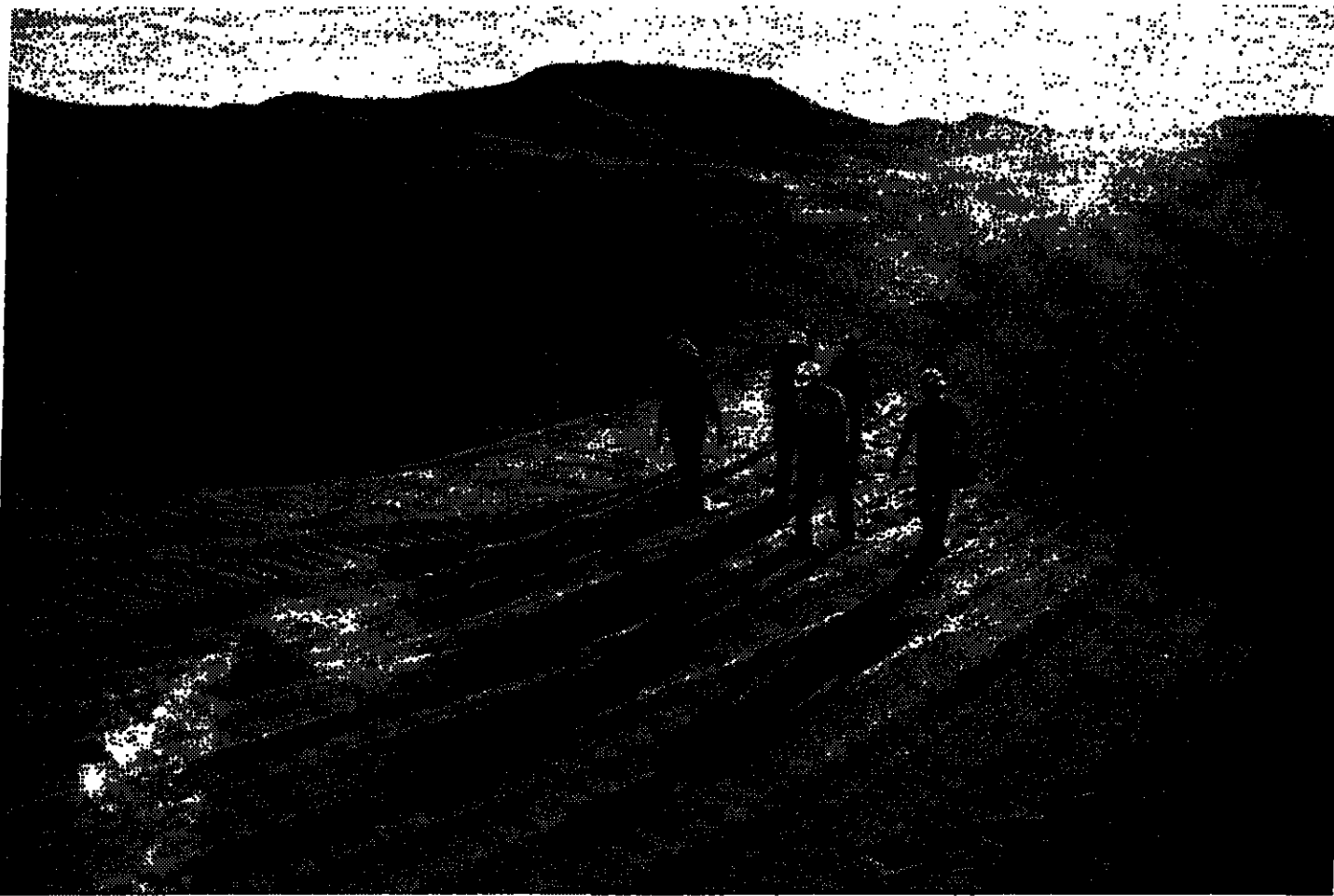
industrial democracies in exchange for the kingdom's protection. Both the United States and Saudi Arabia want to contain Soviet penetration of the Middle East and North Africa.

Sensitive Missions

Increasingly, Saudi Arabia is undertaking foreign policy missions which might be too sensitive for post-Vietnam Washington, where Congress has become so involved in diplomacy. The newly-assertive Saudi Arabia has helped recent North Yemen, then taken the initiative in inducing Somalia to break with the Soviet Union. The Saudi role has been crucial for Egypt. Further afield, Saudi influence is at work from Turkey to the western Sahara—and even in France during the crucial current elections—always in an attempt to financially sweeten compromises designed to maintain pro-Western alignments.

Perhaps surprisingly, oil prices do not appear to be a major source of friction between Riyadh and Washington these days. The Carter administration seems more receptive to the Saudi view that the energy crisis was largely of the West's own making, not the oil producers' doing, and that

(Continued on Page 2.)



Mark Sibout, Magnum.

A prospecting team for Aramco trudges across the Empty Quarter Desert.

West Reliant on Nation's Willingness to Expand Oil Output

By Ian Seymour

DAHRAN (HT)—It is no exaggeration to say that the economic well-being of the industrialized Western world in the 1980s will depend very much upon the continuing stability and benevolence of Saudi Arabia.

This is the case not so much because of the already vaulted financial power of the desert kingdom—investments outside one's own borders are, in the final analysis, more of a hostage than a weapon—but simply because in a few years the West will probably be uncomfortably reliant on Saudi Arabia's willingness to expand its oil production to meet market demand.

For the moment, of course, and for at least the next two years, there will be no oil shortage. But sometime after that, when the current influx from the North Sea and Alaska has reached its plateau, demand for OPEC oil, and particularly Saudi

oil, will begin to rise at a rate requiring levels of Saudi output far in excess of the government's newly reimposed ceiling of 8.5 million barrels per day (bpd). As far as is known, no other source of oil, OPEC or non-OPEC, is capable of supplying the quantities needed.

In view of the long lead times now required to bring major new energy projects to fruition (say, in the region of 10 years) and the fact that no really big development is in the offing after the North Sea and Alaska, one can see that there can be no energy miracle to deliver the Western world from dependence on Saudi Arabia in the eighties. The only questions are: First, exactly what volumes of Saudi oil production will be required to avert a crisis? And second, will the Saudis be able and/or willing to supply them?

The Saudis have always been exceptionally responsive to the needs of the West both as regards oil supply and prices, but there is

a limit to how far they would be prepared to go, even with the best will in the world.

Some of the higher forecasts for needed output from Saudi Arabia, such as the 15-25 million bpd projected by the CIA for 1985, are out of the question as far as Saudi Arabia's readiness to supply is concerned. But even the more conservative forecasts, which put the world's requirement from Saudi Arabia at, say, 13 million bpd by 1985 and 16 million by 1990, are still stretching the limits of the possible.

Clearly, all these calculations are of crucial importance to a country such as the United States whose oil imports are projected to rise to something like 12 million bpd by 1985 from the current 8.7 million bpd. (Even the most optimistic industry forecast estimates the 1985 figure at 10 million bpd; nobody believes President Carter's stated target of reducing imports to 6 million bpd by 1985 to be credible.) Saudi Arabia is already by far the lead-

ing supplier to the United States, accounting for 1.6 million bpd or nearly 20 per cent of the latter's oil imports in the first half of 1977, and this dependence is likely to grow.

With 1977 crude oil production of around 9 million bpd—topped only by the Soviet Union with nearly 11 million bpd and ahead of the 8.3 million bpd of crude (excluding gas liquids) now being produced by the United States—Saudi Arabia sits comfortably at the top of the world's oil-league table in terms of exports and reserves. According to government figures, the kingdom's proved recoverable reserves stand at 151 billion barrels, representing 28 per cent of the total for the non-Communist world and 35 per cent of the OPEC aggregate. (Using a somewhat different measure, Aramco, whose concession area accounts for all of Saudi Arabia's oil fields with the exception of around 3 billion barrels in the Saudi-Kuwait Neutral Zone,

comes up with figures of 110 billion for proved and 177 billion for probable reserves.) Possible reserves for the Aramco area alone—that is, apart from anything else that may be discovered in the rest of the country where little exploration has been done—are variously put at something like 250 to 300 billion barrels.

Capacity

Aramco's present production and export capacity is rated at somewhere between 11 and 12 million bpd, although actual sustained production has not been held at much over 10 million bpd for any length of time.

The government's current plans apparently envisage raising capacity to something like 14 million bpd by 1985, which represents a substantial scaling-down of an earlier Aramco scheme (not endorsed by the govern-

(Continued on Page 7.)

A Few Short Years See Sweeping Transformation

By James E. Atkins

James E. Atkins was United States Ambassador to Saudi Arabia from 1972 to 1975. He is now a private consultant on energy and Middle Eastern affairs.

WASHINGTON (HT)—In the few years since 1973 the world role and international image of Saudi Arabia have been transformed more rapidly and completely than those of any other country in history. Until recently the Kingdom of Saudi Arabia—as large as the United States east of the Mississippi but with a population less than greater Chicago—was known in the West as the desert realm of its powerful apocryphal founder, Abdul Aziz Ibn Saud. It was the land of Mecca and Medina, two of Islam's three holiest cities, and the goal of all devout Muslims. Since 1950 it has also been an important source of oil, a fact which for two decades was considered only of minor importance in a world which believed itself awash in cheap energy.

During the Middle East war in 1973, Saudi Arabia led the Arab oil embargo; although it considered itself a close friend of the United States, it also considered the Americans' massive military and economic aid to Israel in wartime as a hostile act. With the ensuing shortage, the Organization of Petroleum Exporting Countries (OPEC) saw what the world was prepared to pay for oil and along with its non-Arab members it raised the price of oil permanently.

A Cornucopia

In the immediate aftermath of the 1973 oil-price hike, it was also believed that Saudi Arabia would be the main supplier of new capital to the world. Although its capacity for spending money was greatly underestimated, the kingdom may still play an important role in world finance. The annual income from oil is over \$35 billion, and this figure can be expected to grow with the increase both in production and in oil prices. It has been a cornucopia for oil companies, for construction companies, for builders of arms and for exporters of almost all consumer goods.

Saudi oil and the wealth derived from it have given the kingdom an influence in the Middle East and the world to which no other country of seven million people could aspire. Kings and presidents, foreign, defense and finance ministers from Europe, Asia, Africa and the United States are visiting Saudi Arabia. Riyadh has more official state visits than the United States.

Many visitors have their palms extended, and Saudi Arabia has been generous; its foreign aid program is about as large as

This Section

This special report was prepared and written by Joseph Fitchett with James E. Atkins, Michael Field, G. H. Jansen, Michael Jansen, Bob Lebling, Mary Jo McConahay, Joseph J. Malone, Tom Martineau, Joe Alex Morris Jr., Ian Seymour, J. S. Skinner and Charles F. Snow.

The riyal has a value of 3.53 to the dollar.

U.S. aid in absolute terms and about 30 times larger in per-capita terms.

It has used its growing political influence wisely—first, under the late King Faisal and now under King Khalid, Crown Prince Fahd, Prince Abdullah and the Cabinet.

Moderation

Saudi Arabia has mediated disputes between Iraq and Syria and between Algeria and Morocco; it has tried to bring South Yemen back into the Arab fold and has worked to reduce Soviet influence in Somalia. It has been, and still remains, a force for moderation in the Arab-Israeli dispute, a matter of vital importance to the world. Almost equally important to the short-term health of the world's economy has been Saudi Arabia's role in restraining oil prices. Saudi relations with the United States have been close and generally warm.

Apart from chronic disagreements over the U.S. role in the formation and subsequent support of Israel and the acute problems during the October 1973 war, the Saudis, whose foreign policy has been at least as anti-Communist as it has been anti-Zionist, have maintained for years that the real interests of the United States lie in the Arab world. They have also indicated that eventually the United States would understand that unbalanced support of Israel had opened the Arab and even the Muslim world to Communist penetration and accordingly would respond with a more "even-handed" policy.

The Saudis are gratified by what they term an unprecedented realism in the current U.S. Middle Eastern policy and they are anxious that it continue. The United States on its side has been pleased by what it sees as a new willingness to recognize Israel (at least de facto) and live in peace with the country. Protesters on both sides that policies have not been changed, that they are firm and longstanding, are not to be taken entirely seriously. No previous U.S. president, for example, has talked of Israel returning to its 1967 borders or of the rights of the Palestinians to a homeland. And *delenda est* Judea has stopped being even the implicit basis of Saudi Middle East policy.

Americans themselves are popular in Saudi Arabia. The Saudis like their openness and their honesty. The Aramco parent companies, the construction companies and the U.S. Army Corps of Engineers, all of which have planned and supervised major Saudi projects, have brought to the Saudis an admiration for American technology. When the Five Year Plan was

(Continued on Page 9.)

Royal House of Saud—World's Richest, Most Powerful Clan

RIYADH (HT)—The House of Saud—which gave its name to Saudi Arabia and which controls the world's largest oil-exporting country—is the world's largest family enterprise, making the Rothschild banking octopus or Rockefeller's Standard Oil complex look like small-town enterprises.

The Saudis are the world's richest family. Hundreds of princes of the line are personally multi-millionaires. The family controls and can draw on Saudi Arabia's national income, now approaching \$40 billion a year.

The Saudis are also the world's most powerful family. Their domain contains the largest known reservoir of crude oil on earth. By spending up or slowing the flow of petroleum exports, they can push up or down the price of oil, affecting the lives of nearly every human being worldwide.

With a sparse population which is mostly backward, Saudi Arabia is a military creampuff. But the answer to "how many divisions do the Saudis have" is

not a derisive giggle: the commander-in-chief, King Khalid Ibn Abdul Aziz Al-Saud, head of the family, has the oil weapon, worth many divisions indeed.

The family has the final say in investment decisions on Saudi cash reserves the piled up, unspent surplus income from oil sales. This hoard of dollars, pounds, marks, yen, guilders and francs is approaching \$100 billion. Any shift, based on whim, pique, politics, generosity or sound economic logic, quickly affects the currencies, stock and bond markets, commodity exchanges and interest rates by which all individuals, companies and nations determine their worth.

A Niche

If Saudi Arabia had a niche in the board room for "Our Honored Founder," the statue would be of Abdul Aziz Ibn (son of) Abdulrahman Al- (of the house of) Saud. Abdul Aziz—erroneously known as "Ibn Saud"—to a Western world which has never mastered the complicated lineage and desert

Arab protocol which determine Saudi names—was born in 1850, and ruled from 1902 to 1953. He revived the fortunes of a family which had dramatic ups and downs in 150 years of campaigning for control of the Arabian peninsula.

His great-great-great-grandfather, Muhammad Ibn Saud, started it all off in the middle of the 18th century. Muhammad, an ambitious bedouin chief, teamed up with a charismatic Muslim reformer, Muhammad Ibn Abdul-Wahhab, to gain control of the central Arabian plateau area, called Nejd, with its capital at Riyadh. Muhammad's descendants continued to spread family control and the puritanical "Wahhabi" beliefs, first capturing the holy cities of Mecca and Medina in the western Arabian province of Hejaz, and then consolidating the family state to set up a political-religious administration.

In 1811 the forces of the Ottoman Empire intervened to quell the upstart Saudi challenge to Turkish control in the

Arab world. The family's power was decimated by Turks, internal squabbles and the rival Arabian house of Rashid.

This period of eclipse drove the then Al-Saud leader, Abdulrahman, to take refuge in Kuwait in 1875.

Wooden Door

Abdulrahman's son Abdul Aziz—the honored founder—led a band back into the interior of the peninsula in 1902 to recapture Riyadh from the Rashidis. It was not the kind of battle in which the commander sits back and directs his men from a secure command post behind the lines. The issue turned on control of the heavy wooden door of Riyadh's mudbrick fortress. Abdul Aziz was right there in the doorway, slashing with his sword next to a first cousin once removed named Abdullah Ibn Jiluwi.

This was the Abdul Aziz style as he captured the eastern province along the Gulf where the oil was later discovered. The Jiluwi branch of the family was given hereditary rights

to the governorship of the eastern province as a reward for loyal service.

Abdul Aziz subsequently also recaptured the Hejaz along the Red Sea, driving the Hashemite family out of Jeddah, Mecca and Medina, north to the realm where King Hussein of Jordan reigns today. He extended his control from the border of Iraq in the north to Yemen and Oman in the south and ended up in 1945 sitting to Egypt on the destroyer USS Murphy with 48 relatives and servants, ten live sheep and a royal tent on the foredeck to meet Franklin D. Roosevelt.

The deluge of oil wealth had started when Abdul Aziz died in 1953. He had chosen as his successor Prince Saud, his second and oldest surviving son of 36 male offspring. Abdul Aziz also chose Prince Saud's successor, decreeing in family circles before he died that the crown prince under Prince Saud should be Faisal, his third son.

King Saud ruled until he was deposed in 1964. King Faisal followed until he was assassi-

nated in '75. The present King Khalid is Abdul Aziz's fifth son and the crown prince, Fahd, is his eighth son.

The Saudi dynasty's ability to produce commanding national leadership was evident in King Faisal's skillful performance at the helm of state. During the decade when radicalism was on the rise in the Arab world, King Faisal kept his kingdom discreetly out of the fray, then emerged as the architect of a recovery of Arab and Muslim dignity as the wielder of the oil weapon.

Originally viewed as a critic of the United States, then later, once he became king, taxed with being an uncritical American ally, King Faisal consistently championed conservative pan-Islamism as an alternative to Nasser's militant pan-Arabism. By the end of his life, King Faisal had raised Saudi Arabia to a new height of Arab prestige—and had set the stage for the kingdom's emergence into super-wealth and influence.

A profoundly religious man in

(Continued on Page 8.)

King Faisal



Foreign Aid Policy: A Commitment to Redistribute the Wealth

RIYADH (HIT)—Nobody looking at the oil policy, the aid policy, the aid programs or the foreign policy of Saudi Arabia should ignore the nation's commitment to redistribution of the world's wealth.

The nations of the Third World share an emotional and nationalist bond, which like the ideal of Arab unity is more spiritual than serviceable but which nevertheless provides one of the basic motivating forces behind their foreign policies.

The Arabs in particular are deeply conscious of their sufferings in the past at the hands of richer and technologically superior nations. They feel strongly that the terms of trade traditionally applied to their own and other developing countries' main export commodities were unfair. Specifically, they resent the West's domination of the manufacturing process, enabling it to set international trade rates at levels which have enriched its own people while keeping the populations of the Third World at near-subsistence levels. Western dominance left the Third World governments with insufficient capital to invest in their own development—to improve the lives of their own people and give them greater economic independence—and in Third World eyes this in turn has prevented the achievement of real political independence.

Inevitable

This may be an emotional and economically unsophisticated way of looking at world trade and development. Nevertheless against this background it was inevitable that the Saudis and the other oil producers, having overthrown the old economic order applied to their own export commodity, should have felt bound to launch big aid programs for their fellow developing countries.

In 1976 the OPEC countries gave 27 per cent of their GNP in aid, a much higher proportion than the industrialized countries, none of whom has ever attained the UN target of 1 per cent. In the same year Saudi Arabia also stood as the world's second largest donor in absolute terms, after the United States.

At the Conference on International Economic Cooperation (the North-South dialogue) the oil producers adopted a policy of try-

ing to use their own bargaining strength to get the Western nations to give more aid to developing countries.

Yet despite their concern, several criticisms, mainly from Third World countries, have been leveled at the OPEC countries' aid record.

Wrong Type of Aid

First, it is claimed that much of the aid from the OPEC states has been of the wrong type. It has come mainly in the form of project aid (loans tied to specific

development projects) or general purpose government-to-government loans made on an ad hoc basis, but not as continuous balance-of-payments support designed to offset the impact of high oil prices on non-oil developing countries.

It is true that Saudi Arabia has contributed to the International Monetary Fund (IMF) recycling facilities and the World Bank. It has also participated in the OPEC fund to finance the oil imports of non-oil Arab countries, the Arab-African Oil As-

sistance Committee (administering a small, similar fund for African countries), and in the OPEC fund for developing countries as a whole. But it has been notably unenthusiastic about all of these programs.

The suspicion exists that these shortcomings stem from the fact that there is more glamour attached to project aid, and balance-of-payments support administered to all developing countries on a regular basis could be very expensive.

The oil producers reply that

they fear that balance-of-payments support ends up being used to finance semi-luxury imports. This is partly valid, but it ignores the fact that there are many more economically beneficial imports brought into developing countries than just those associated directly with development projects.

Uneven Distribution

Also, because of the mainly bilateral and ad hoc character of Saudi and other OPEC aid, the

distribution of money among the recipient states has been uneven.

The countries that have received most money have been Arab—particularly the "front line" states involved in the confrontation with Israel. Most of the funds received by Egypt, Syria and Jordan, including all the funds received for military purposes, have come in the form of grants (gifts), but the exact amounts have never been published and the flow has never been regular. There has been some dispute over whether at the Rabat summit in 1975

Saudi Arabia and the other donors committed themselves to making a series of regular payments or a one-time gift.

After the Arabs, the states that have been given the most in Saudi aid have been non-Arab Muslims. Part of the aid flowing to these countries has come indirectly, through the Islamic Development Bank (IDB), which is based in Jeddah. Saudi Arabia is its major subscriber.

Apart from being owned entirely by Muslim or part-Muslim countries, the bank is Islamic in

the sense that it charges only service fee on the loans it makes. It avoids the whole interest loans by concentrating its money on making equity investments in industrial projects, intending to sell off its shares once the projects are working profitably.

The influence that Saudi Arabia exerts on Muslim countries through the IDB is difficult to identify precisely—the bank more a part of the current Islamic revivalism than a cause of it—but with its direct bias aid to Muslim countries by Arabia has exerted powerful pressures in favor of the reestablishment of strict Muslim social and legal principles. Importantly, Saudi successes have been Sudan and Pakistan.

In general Saudi aid is big political—especially in the case of Egypt, Syria and the kingdom's neighbors in southern Arabia the Horn of Africa, where Saudis are anxious to root out all Communist influence. It applies rather less to the Islamic Development Fund (IDF), kingdom's own project aid which lends to all parts of developing world at interest varying from 3 to 5 per cent, operates invariably in conjunction with other Arab or non-Arab agencies because it does not have the staff to carry its own appraisal work.

But even this institution is not lent to countries with which Saudi Arabia has had real aid and it will give bigger loans better terms to friendly countries.

Politically Effective

As to whether Saudi aid really is politically effective, it is some doubt. In the short term the kingdom's aid has been most influential, helping to bring the kingdom into regional power. The Saudis clearly very pleased about because they have strong political ambitions, of the sort which Kuwait, the other major aid-giver, does not.

But in the longer term it is not clear how effective it is. It is increasing its internal spending, the kingdom could find itself with much less to give away or lend and whatever influence it with former recipients would appear immediately.

State Funds Designed to Funnel Capital to Private Sector

By Michael Field

RIYADH (HIT)—In an effort to stimulate the private sector in a country whose revenues from oil sales accrue to the central government, Saudi Arabian government development policy makes extensive use of six special state-owned funds.

These funds which were established or expanded after the oil price boom, are designed to funnel long-term capital to the private sector to complement the state's own direct development spending.

The funds, which lend for industry, property development, "public investment," contractors' equipment, agriculture and social purposes, have committed nearly \$10 billion over the past three years.

Two special features of the Saudi private sector made this approach necessary. First, ordinary commercial banks in the kingdom have very little long-term money at their disposal: depositors prefer to hold their money short-term. Second, in the 25 years before the oil spurt, Saudi Arabia had to spread its oil revenues thinly and it never embarked on social policies designed to enrich its own people (in contrast to Kuwait, for instance). When oil revenues skyrocketed in 1974, the private sector lacked capital to participate in the development plan.

All these funds charge either no interest at all or very low interest at 2 per cent service fee. There are huge variations in size among the funds, in the degree of suc-

cess they have achieved and in their modes of operation.

• **Saudi Industrial Development Fund:** The SIDF was established in 1974 to lend to private industry which in practice means everything outside the hydrocarbons sector and has since been given the additional task of financing part of the expansion of the kingdom's electrical utilities. Last year it had \$850 million in capital paid up for the first purpose and a separate allocation of \$1.5 billion for the utilities. The fund, which is managed by the Chase Manhattan Bank, will lend up to 50 per cent of the capital requirements of any industry that the government considers desirable for Saudi Arabia. Ideally, these industries should be non-labor intensive and competitive with imports, though the government will give tariff protection to an uncompetitive industry felt to benefit the kingdom. To be eligible for loans, companies must have at least 25 per cent Saudi participation.

By far the largest section of SIDF's lending portfolio is accounted for by building materials industries: cement blocks, aggregates, steel mesh and aluminum products. Most loans have been for less than \$3 million, with the exception of cement plants. Other large loans have been for steel pipes, phosphate fertilizers and asbestos cement pipes.

The fund does not apply a commercial bank's strict feasibility criteria in deciding whether

to lend to candidate projects, and it lends to many that are admittedly speculative. Given such factors as the high rate of inflation in Saudi Arabia, which may render a project uneconomic between the start of construction and a plant's completion, the fund inevitably risks seeing some clients go bankrupt.

• **Public Investment Fund** (sometimes wrongly known as the General Investment Fund): The PIF was established in 1971 with a capital of \$300 million to take over the finance ministry's role of financing state enterprises expected to yield a commercial rate of return. In effect, this meant leading to private industry and state corporations and encouraging the private sector by taking equity stakes in new ventures that could later be sold to the public. The PIF's promoter (former Finance Minister Mubarak bin Abdulrahman) believed that having a special government agency to do this would help ensure that government money was spent more carefully and with greater regard to obtaining a good rate of return.

The fund has worked out as planned. Its capital, which has been raised to just under \$3 billion, is now almost exhausted, and it has been committed almost entirely to state institutions. Very few state projects have been refused loans, and huge amounts have gone to Petrochem, the state petroleum corporation, and Saudi, the national airline. Recently, the fund has become involved in the eastern province electricity grid and in joint Arab ventures,

neither of which fall within its original brief. The fund could face problems in the early 1980s if repayment is slow from Petrochem and Saudi.

• **Real Estate Development Fund:** The REDF began operations in August 1975 with a capital of just under \$4 billion, which by the time its activities were suspended in May last year had been increased to \$6.6 billion. This fund has two categories of operation. First, it will lend interest-free to individuals who want to build their own homes. Borrowers must own the land on which they wish to build (only in the more fashionable parts of the largest towns have land prices soared totally out of reach of all but the richest Saudis in recent years), but thereafter the fund will lend them up to 70 per cent of construction costs up to a ceiling of 300,000 Saudi riyals, without regard to the size of borrowers' incomes. Repayments are spread over 25 years, after a two-year grace period, with 20 per cent forgiven at the end. For citizens who are too poor to obtain loans on even these generous terms, the ministry of housing has its own building programs designed to provide a minimum standard of housing for all Saudis.

Second, the fund lends up to half the cost of building commercial properties, mostly apartment blocks containing over 50 housing units each, up to a construction cost ceiling of \$2.5 million. Loans must be repaid in five years. During the 20 months in which

the fund was signing loan agreements, REDF made an average of 300 commitments per week, lending for some 100,000 housing units, of which half are now complete. Given an average of seven people per unit—the units are quite spacious even by Western standards—this means that the fund has already provided homes for 350,000 people.

• **Agricultural Bank:** Founded 15 years ago, the bank's capital rose to \$225 million by the last financial year. In addition to giving loans to individuals, companies and co-operatives for agricultural improvement schemes and new projects, the bank helps administer the subsidies that the government makes available for purchases of machinery, fertilizers and fodder. The rates of the subsidies vary, going up to 50 per cent.

• **Credit Bank:** This very small institution was established in 1971 for the purpose of lending to relatively poor Saudi citizens—with incomes not exceeding \$5,000 a year—for social purposes. Most loans are given for marriage and medical treatment, with other credits going to finance minor capital purchases by craftsmen. The bank's total resources, made up mainly of government deposits, come to only some tens of millions of dollars.

• **Contractors' Fund:** Surprisingly, this fund has not been very active, even though it has been established since 1974. With a capital now increased to \$70 million, the fund's purpose is to lend to Saudi individuals and companies to enable them to buy

more modern tools and equipment.

Recipient contracting companies may have foreign shareholders, but the fund will not lend to joint venture companies or to wholly foreign concerns. Loans may cover up to 75 per cent of the equipment or materials needed by the contractor, or 20 per cent of the value of the contract providing that it does not exceed \$300 million.

Lightly Controlled

The three big funds—PIF, SIDF, and REDF—have committed the better part of the \$10-billion total fund program.

The operations of the six funds have been the source of an outpouring of funds from the government into the private sector that has been only lightly controlled. One effect has been to enrich the private sector. And given that many individual borrowers from the SIDF and the REDF were not exactly short of money themselves, in many instances the funds must simply have fueled foreign investment, land speculation, or the purchase of inventory.

Similarly, money from the PIF has sometimes been lent to private sector projects not because the promoters needed additional capital, but because they believed that having state capital in their projects would give them a stronger case when they wanted to persuade the government to make its purchases from their plant, to subsidize them, or grant them tariff protection.

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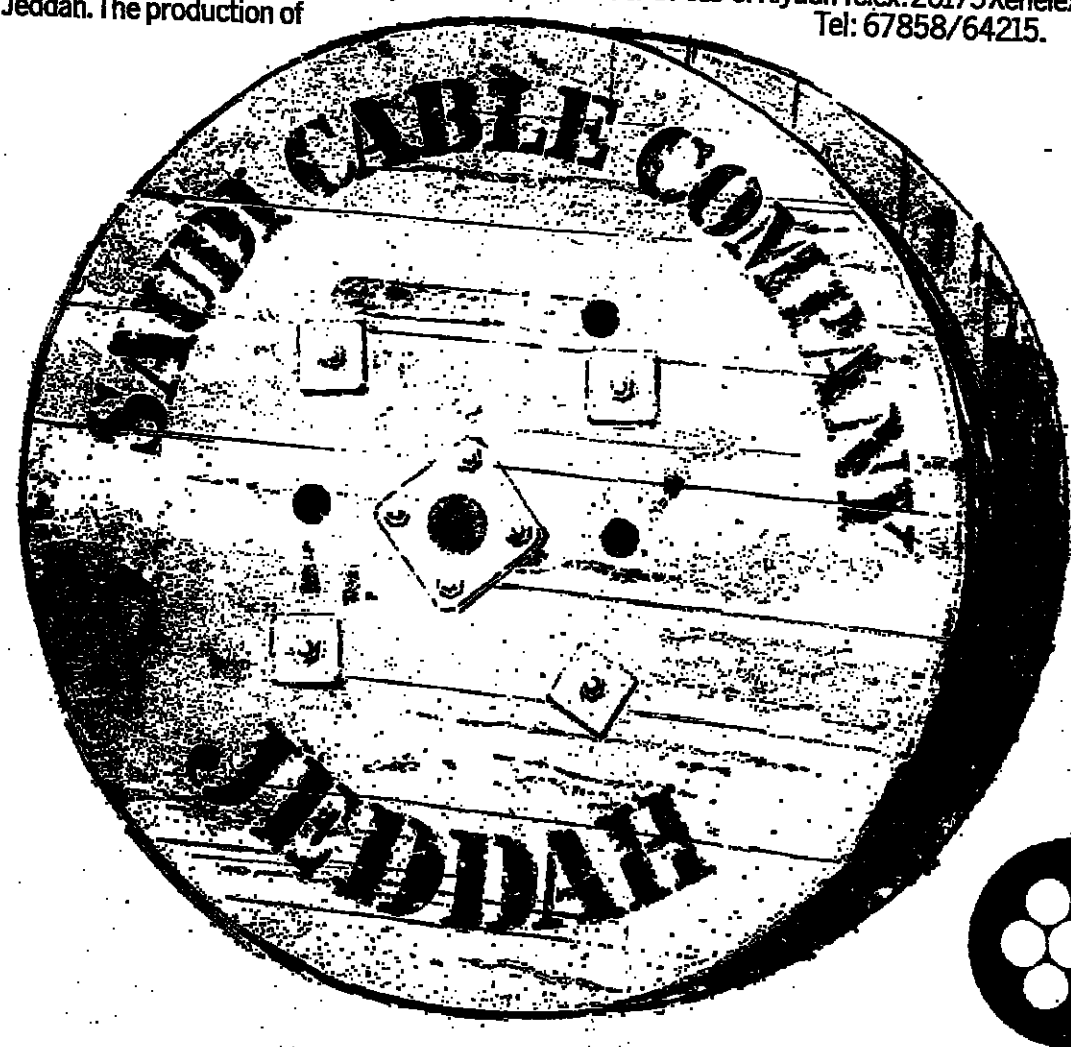
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مركز امداد



Economic Future Is Dependent on Government Domestic Spending

By J.S. Skinner

RIYADH (HTT)—Saudi Arabia is as it intends to be the richest country in the world for a very long time. Everybody knows that Saudi Arabia is rich, but few people seem to know how long the wealth will last. For instance, big mineral wealth is indicated by the industry's current prospecting. Saudi officials expect the kingdom will become in the next 10 years a large world exporter of oil, copper, phosphates, gold and silver.

The magnitude of Saudi Arabia's income is not the only unusual feature of the economy. It accounts for 99.9 per cent of total exports, and the full benefit of oil earnings accrues to the Saudi government. "So the government is the arbiter, to a very extraordinary degree, of the money flow inside the kingdom. The nightmare of all oil-producing countries is that in the process of converting their oil into money, they are converting it into a foreign currency, and then they are left with nothing but some foreign currency. Two rapid spending sprees can cause domestic inflation, a problem compounded by the fact that the local problem and the value of foreign currency estimates. In addition, the inflation simultaneously acts as an incentive for immediate spending."

Flood of Money

When the flood of money—the epidemic of money—one writer called it—burst on Saudi Arabia in 1974, the kingdom prepared a ambitious five-year development plan that budgeted for expenditure of \$142 billion, more than \$17,500 per capita.

This ambitious effort created considerable tension within the government as well as enormous physical and practical problems in realizing the targets. The younger men were in a hurry to transform the country. Others with a more traditional approach resisted the revolutionary effects that might be expected in the hands of a population being pulled out of the ancient substance life-style into the modern world.

Apart from the social and moral problems inherent in such a shock program, development led very quickly to serious practical economic problems in the form of domestic inflation. The official rate of inflation in 1976 was given as 32 per cent, although it was probably considerably more. It was enough to make the government realize that it was trying to go too fast and that it was time to pull on the reins.

Prices were rising because it was physically impossible to meet the demand generated by the government for the supply of goods and services. Ports were hopelessly congested, where the land was being boarded and goods were being sold in all kinds of basic commodities. The Saudi government realized that its vast resources were being plundered by its own people and that it was losing control of the economy. This called for strong measures.

The reaction of the Saudi government to this situation was impressive and reveals some important aspects of the Saudi character. The government went straight to the root of the problem and tackled the bottlenecks that were creating the shortages that caused prices to rise. By taking tough measures, which were rigorously imposed, they cleared the ports in an amazing short time. The flood of goods from the ports onto the market brought prices down as merchants found themselves overstocked and short of cash.

To protect those on fixed incomes from the effects of inflation, the government cut taxes and duties, subsidized basic foodstuffs and set up a food corporation to ensure steady supplies, which would frustrate speculative hoarders.

Companies seeking the big development contracts saw their bids thrown back at them, and many contracts were trimmed after they were awarded, as an attempt to cool the economy.

Housing was the sector most dramatically hit by inflation. Only Saudis are allowed to own land, so property owners were able to charge what they liked to foreign firms, who in turn passed on the cost in their contracts to the government. New regulations took the pressure off the demand by stipulating that foreign com-

panies over a certain size should build their own accommodations. The government appropriated a sum of \$2 billion in the 1977 budget to start on a \$15-billion program to build 50,000 housing units. The heat came off the real estate market. Prices stabilized, and even rents of some lower-

quality buildings started to come down. The market in undeveloped land was less affected, although prices are tending to stabilize at the very high levels that they reached during the past three years. Land is an attractive alternative to bank deposits for the private

Saudi citizen and dealing in virgin land has become something of a private Saudi game of Monopoly for grown-ups using real money in astronomical amounts. Undeveloped land plays an important part, too, in the distribution of wealth, since the government pays generous compensation for

private land it needs and prices and sheikhs often give land away to their relatives and retainers. On the financial front, the Saudi Arabian Monetary Authority (SAMA) kept its severe restrictions on the commercial banks so that the ratio of commercial bank credits to private

sector imports actually declined in 1976, although currency in circulation plus all private sector deposits at commercial banks increased by 87 per cent and total government expenditure rose by 121 per cent. The proportion of bank cash and deposits with SAMA was maintained at the high level of 30 per cent of balance sheet total.

Overall, these measures have been remarkably successful. A recent study by foreign consultants for the Saudi government is reported to have concluded that there is no need now to cut back on plan targets because of lack of capacity. They apparently consider that the construction industry—which has come under the heaviest pressure—is working 20 per cent below capacity and can expand to meet the demand projected in the plan. They urged the government to spend more on public-sector construction projects and to lend more to the private sector.

Private Sector

The massive transfer of funds from the government to the private sector is fundamental to the Saudi policy of developing a thriving private enterprise economy that is not based wholly upon oil. A range of government development finance agencies has been established to assist the private sector in financing agriculture, real estate, industry, contractors and general investment. Through these agencies the government hopes that it can stimulate productive endeavour. It is the kind of policy one might expect from the Rockefeller family if they became as rich as the Saudi family and were given the hereditary presidency of the United States.

The development of the domestic economy inevitably implies diversification from oil. Emphasis is given in the plan to increasing agricultural production in order that the country may become less dependent on outside supplies of food. However, water shortages severely restrict the scope for expansion so that even the ambitious plan can only project a 4 per cent annual growth rate for this sector. More ambitious targets have been set for the manufacturing industry (14 per cent) and construction (15 per cent).

With development and diversification well under way and inflation under control, the domestic economy can be expected to absorb larger investments each year. The contribution of the non-oil private sector to the GDP is growing fast—by 41 per cent in 1976 and by 48 per cent in 1978.

The large gap between government revenue and expenditure—\$7.5 billion in 1976—does not seem likely to narrow quickly.

Responsibility

SAMA's foreign investment policy is very conservative, and investments once made are seldom changed. The unsettling effects on world money markets if funds of this size were rapidly shifted about would seriously prejudice the present smooth and continuous placing of funds. Realizing how politically sensitive foreign investment can be, SAMA does not buy real estate overseas nor does it purchase more than 5 per cent of the voting stock of any foreign company. As a result, it claims that the return it gets is about 8 per cent on average as compared with 10 to 12 per cent on Kuwaiti funds. This is typical of the Saudi sense of responsibility in handling its enormous funds and its awareness of the need for a long-term approach.

The size of its revenue and overseas investments is giving the Saudis an increasingly vital and significant place in the world economy, despite the relative smallness of its own population.

For example, the proposed Common Fund, which is to be set up to finance United's Integrated Program for Commodities, is intended to have an ultimate capital of \$8 billion of which \$4 billion will be borrowed internationally. It is well within Saudi Arabia's financial scope to facilitate the financing of what is probably the single most important component of the new international economic order.

Saudi links with the United States together with the government's belief in individual enterprise are an indication that the influence of the nation's leader on world affairs will be a conservative one, aimed at enhancing international financial stability in their own interest.

Developing a More Assertive Diplomacy

(Continued from Page 1.)

only high oil prices will provide an economic incentive to the development of alternative energy sources. Moreover, the price leap in 1974 was comparatively less harmful to an oil-rich country like the United States than to industrial competitors like oil-poor Japan, diplomats here argue. Subsequently, too, Saudi Arabia has been a moderating force in OPEC.

Rivalry

Nor does the rivalry between Saudi Arabia and Iran seem to have much current substance. On the contrary, the American concept, elaborated at the time of the British withdrawal from the Gulf in 1971, of a "twin pillar" arrangement of Iran and Saudi Arabia together assuring the region's security, seems to be working better as the Saudis become more confident of their Arab prestige. The two regimes are coordinating their policies more closely on a range of issues, notably on the suppression of radical influence in the region, even as far afield as Ethiopia.

The latent fear of the Shah as an ambitious leader is being eroded here as Saudis realize that Iran, as an oil power, is a "has-been," whereas Saudi Arabia is growing in strength. The Shah's new modernization on oil prices reflects this shift in power. And doomsday scenarios of Iranian irredentism on the Arab side of the Gulf appear increasingly improbable in light of the growing collective self-interest of the oil states as a group.

Saudi Arabia is increasingly recognized as the prime Arab state—the "father of us all," as Kuwait's ruler said in asking King Khalid to receive condolences on the death of the late Emir. Throughout the peninsula,

Saudi influence is growing, both politically and geographically, as demonstrated by the newly recognized Saudi corridor between Qatar and the United Arab Emirates, the planned causeway to Bahrain, the talks with North Yemen and talk of a Saudi-owned pipeline running south to the Indian Ocean between Oman and South Yemen.

The most divisive issue for the U.S.-Saudi partnership remains, of course, Israel. However, U.S. diplomats are convinced that Saudi Arabia has made strenuous efforts to facilitate a negotiated settlement and that the kingdom, in fact, would be even more flexible once it is convinced that Israel was sincerely ready to make compromises for peace. But it remains the one issue which could push Saudi Arabia into a confrontation with U.S. policy, in the shape of an oil embargo or punitive cutbacks on oil production.

In their thinking about Israel, Saudi ideologues have long since abandoned the old demonology which portrayed Zionist Israel and the Communist Soviet Union as the Jesus-like faces of the same millennial Jewish conspiracy. Now the Saudis emphasize the more reasonable point that the unsettled Israeli conflict is benefiting the rise of radicalism in the Arab World.

The minimal Saudi position for a deal with Israel probably comes down to a credible formula of self-determination for the Palestinians and some arrangement whereby the Old City of Jerusalem would not be under Israeli jurisdiction, but the Saudis are not going to be stampeded into going "rabid." When U.S. administration officials repeatedly announced prematurely that Saudi Arabia was about to publicly back President Sadat, or sway Jordan, or embark on a Syrian-

Egyptian mediation, it reflected a basic misunderstanding of the Saudi technique: never go public until success is assured. The Saudis have waited for the ripe moment before committing their own prestige.

New Style

Saudi Arabia's new power and style were displayed most conspicuously in connection with Lebanon's civil war. When the fray appeared beyond control, the Saudis summoned the main contending factions to Riyadh and used their full weight to extract a settlement. It was an impressive show of authority, probably unmatched by any Arab country since Nasser's death.

In their attempt to cast themselves in the role of the Arab world's "honest broker," the Saudis stress mediation and compromise. Saudi Arabia's concept of Arab unity differs from the radical Nasserite, Ba'athist or Qadhaifi approach espousing alignment as a prelude to permanent merger of governments and states. Instead, the Saudis seek consensus and cooperation among independent Arab states and leaders.

This foreign policy approach enhances the strongly personal style of Saudi diplomacy, which is managed by the handful of powerful royals; technocrats, led by the sophisticated Oil Minister Sheikh Ahmed Zaki Yamani, are increasingly replacing foreign technicians, but they remain firmly executors, not policymakers.

As more trained Saudis join the foreign service, the kingdom will pursue more actively a whole range of interests currently left in abeyance: for instance, the battle over anti-boycott rulings in the United States—which could have compromised the Saudis' crucial modernization plan—large-

ly had to be left up to American firms with Saudi interests. So far, the shortage of trusted manpower, the Saudis' uncertainty about their own image, and their means of leverage, primarily the check-book, have meant that Saudi Arabia has wielded primarily a veto power rather than a decisive positive influence.

Saudi power, flowing from a barrel of oil, takes the form of aid, investments, arms purchases, access to oil and even huge construction contracts (which are consciously spread among friendly countries). While the exact distribution of Saudi largesse is a closely held secret, nearly 50 countries are said to be recipients of the \$10-billion annual allotment.

Those receiving the largest amounts are the "confrontation states." Egypt gets \$2 billion in economic aid, plus \$1 billion in arms purchases. Syria gets around \$1 billion, paid less regularly because Saudi relations are less smooth. When Jordan is added, these three states get 40 per cent of total Saudi aid.

In this sweeping arc of new influence, Saudi Arabia also lays great stress on bolstering Islam. Viewed as the leader of the world's Muslims, the ruler of Saudi Arabia is addressed formally with the ritual invocation of long life "for the sake of Muslims and Arabs."

The notion of Muslim solidarity came about as an antidote to Nasser's radical pan-Arabism. It is still seen as a useful ideology for managing the stresses of change in this part of the world. Saudi diplomats also argue that Muslim solidarity offers a much broader potential base than Arab unity—another modern application of a venerable principle here.

sector imports actually declined in 1976, although currency in circulation plus all private sector deposits at commercial banks increased by 87 per cent and total government expenditure rose by 121 per cent. The proportion of bank cash and deposits with SAMA was maintained at the high level of 30 per cent of balance sheet total.

Overall, these measures have been remarkably successful. A recent study by foreign consultants for the Saudi government is reported to have concluded that there is no need now to cut back on plan targets because of lack of capacity. They apparently consider that the construction industry—which has come under the heaviest pressure—is working 20 per cent below capacity and can expand to meet the demand projected in the plan. They urged the government to spend more on public-sector construction projects and to lend more to the private sector.

Private Sector

The massive transfer of funds from the government to the private sector is fundamental to the Saudi policy of developing a thriving private enterprise economy that is not based wholly upon oil. A range of government development finance agencies has been established to assist the private sector in financing agriculture, real estate, industry, contractors and general investment. Through these agencies the government hopes that it can stimulate productive endeavour. It is the kind of policy one might expect from the Rockefeller family if they became as rich as the Saudi family and were given the hereditary presidency of the United States.

The development of the domestic economy inevitably implies diversification from oil. Emphasis is given in the plan to increasing agricultural production in order that the country may become less dependent on outside supplies of food. However, water shortages severely restrict the scope for expansion so that even the ambitious plan can only project a 4 per cent annual growth rate for this sector. More ambitious targets have been set for the manufacturing industry (14 per cent) and construction (15 per cent).

With development and diversification well under way and inflation under control, the domestic economy can be expected to absorb larger investments each year. The contribution of the non-oil private sector to the GDP is growing fast—by 41 per cent in 1976 and by 48 per cent in 1978.

The large gap between government revenue and expenditure—\$7.5 billion in 1976—does not seem likely to narrow quickly.

Responsibility

SAMA's foreign investment policy is very conservative, and investments once made are seldom changed. The unsettling effects on world money markets if funds of this size were rapidly shifted about would seriously prejudice the present smooth and continuous placing of funds. Realizing how politically sensitive foreign investment can be, SAMA does not buy real estate overseas nor does it purchase more than 5 per cent of the voting stock of any foreign company. As a result, it claims that the return it gets is about 8 per cent on average as compared with 10 to 12 per cent on Kuwaiti funds. This is typical of the Saudi sense of responsibility in handling its enormous funds and its awareness of the need for a long-term approach.

The size of its revenue and overseas investments is giving the Saudis an increasingly vital and significant place in the world economy, despite the relative smallness of its own population.

For example, the proposed Common Fund, which is to be set up to finance United's Integrated Program for Commodities, is intended to have an ultimate capital of \$8 billion of which \$4 billion will be borrowed internationally. It is well within Saudi Arabia's financial scope to facilitate the financing of what is probably the single most important component of the new international economic order.

Saudi links with the United States together with the government's belief in individual enterprise are an indication that the influence of the nation's leader on world affairs will be a conservative one, aimed at enhancing international financial stability in their own interest.

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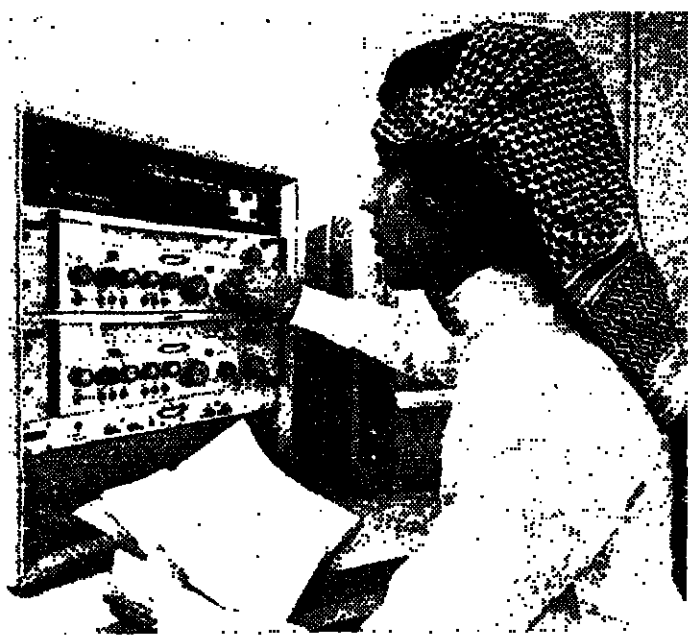
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Saudi Students Prepare For Technological Independence



A young Saudi from the General Directorate of Meteorology receives instruction in communications techniques. He is just one of many Saudi Arabian students already benefiting from his government's far-sighted policy of giving high priority to technical education.

One of the published well-known aims of the Saudi Arabian government's five year plan (1976-1980) is to double the number of schools and the number of students receiving free education. In addition facilities for college students, now numbering some 14,500, will be increased to cater for nearly 50,000 undertaking higher education. As has been the case for at least twenty years, any student winning a scholarship to an overseas university has all expenses paid.

The ultimate objective of the government's enlightened approach to education can be seen as a desire to provide, from within Saudi Arabia, adequate technical manpower resources for the country's continued development.

By its very nature, however, the education programme is recognised as a long term strategy. In the meantime to speed the technology transfer to Saudi nationals, a number of government administrations have already organised the provision of specially devised technical courses covering the range of subjects and specialised skills needed within particular departments. Very often these training programmes are managed in conjunction with those overseas companies already under contract to give the temporary assistance needed for the de-

velopment of essential technical services.

Typical of this sort of technical development programme is one being masterminded by the Saudi Arabian Directorate of Meteorology. In England 230 young Saudis have already completed a full year of intensive language training as a preliminary exercise prior to their starting technical training.

In October 1977, by contractual arrangement with International Aeradio Limited (IAL), the U.K.-based aviation technical services and communications Group, the students moved on to study Electronics, Radar and Communications Engineering at Ballbrook House, IAL's private training College in the West of England.

During the running period of IAL's present five year technical services contract with the Met. Directorate, the students about to commence training at Ballbrook House will qualify as engineers and technicians. The Directorate's long term technical systems development plans are therefore backed by a fully programmed training scheme. The scheme will ensure that in the not too distant future qualified Saudi nationals will be available to operate and maintain the advanced technical systems at present being implemented.

A Massive Program to Modernize the Armed Forces

JEDDAH (HT).—Defending the world's biggest pool of oil, Saudi Arabia has embarked on an expensive crash program to modernize its armed forces. But even spending and training as fast as possible, Saudi Arabia can expect to enter the 1980s with comparatively small military machine with only defensive capability or intentions, military observers here say.

In Saudi defense planning, military power often counts for less than political considerations: the need for internal security against a coup; development of military strength credible enough to disarm fellow Arabs' criticism and to delay an attacker, assignment of supply sources so as to win over other countries as firm allies.

Ultimately, Saudi Arabia relies heavily in the military sphere on its special relationship with the United States. In turn, the United States—through its military mission, 10,000 civilians here on defense contracts and big arms sales—is more deeply and directly involved in Saudi Arabia's forces than in any other foreign army except perhaps Iran.

The kingdom is a lucrative market for American arms-makers. After Iran and Israel, Saudi Arabia is the largest purchaser of U.S. military equipment. Many Saudi military purchases actually involve infrastructure like airports and harbors rather than deadly "end items." The arms purchases—the bulk of which go to the United States—ran to \$7.5 billion last year, a quarter of the national budget—of which U.S. suppliers got only \$2 billion compared to \$5.5 billion the previous year.

The Arsenal

The weapons include Hawk anti-aircraft missiles, P-5 fighters, light naval craft, Sidewinder and Maverick air missiles, tanks and artillery. Now Saudi Arabia has resumed its active quest for sophisticated P-15 Eagle fighter-bombers—the most lethal aircraft in the U.S. catalogue. The Carter administration has promised to make every effort to obtain congressional approval of the sale, with delivery in the 1980s. A formidable sounding arsenal, this array of weaponry is only as good as the men who are

using it, and, Saudi Arabia is a long way from having a modern army. Most analysts believe that Saudi Arabia wants modern weapons and an army primarily for political credibility, not because the kingdom imagines it can ever dispense with the help of more advanced Arab allies and ultimately the United States.

Saudi Arabia's growing nationalism and its developing consciousness of potential enemies. The nation's planners worry about three distinct possibilities: the immediate threat of a coup; development of military strength credible enough to disarm fellow Arabs' criticism and to delay an attacker, assignment of supply sources so as to win over other countries as firm allies.

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three arms of the services are under strength, leadership is slow to develop, and the army will never acquire the mass for an offensive capability. Even in the air force, where many royal princes serve, the highest youngsters gravitate to Saudis, the national airline.

Responding essentially to political needs—giving the government a defensive force, mobilizing the tribesmen, underpinning internal security—the armed forces reflect Saudi politics in another form: deliberate diversification of the sources of supply. While governments often buy from different countries in order to play off rivals in a squeeze, Saudi Arabia shops around in order to get more international political support and to share the bonuses in military orders—\$7.5 billion this year.

Equipment

In the army, most units have U.S. equipment although four separate mechanized battalions are being equipped with French tanks mounting a specially-designed Shabine desert missile. Support items come from all over the world: radios from Britain, other stuff from West Germany, Taiwan, Korea, Belgium. The biggest contract of all belongs to Raytheon, which supplied the Hawk missile network.

In the air force, planes come from the United States; Lockheed not only supplies the Hercules transport but also a variety of training and other services; Northrop sells fighters and also

the army, the air force or the navy. Other contractors approved by the Corps of Engineers (Gen. Raymond and Northrop, among others), and the Corps itself share those responsibilities.

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Vinnell Corp: Remolding the National Guard ...

By Joseph J. Malone

JEDDAH (HT).—The Vinnell Corp. of Los Angeles is but one of many enterprises whose presence in Saudi Arabia derives from its standing with that most important clearinghouse for military-related contractors, the U.S. Army Corps of Engineers.

What is Vinnell up to in Saudi Arabia? A total of 308 American contract personnel—not 1,000 as the media indicated—work with other foreign nationals, mostly retired officers and "other ranks" in training the Saudi Arabian National Guard (SANG). It does not train

the army, the air force or the navy. Other contractors approved by the Corps of Engineers (Gen. Raymond and Northrop, among others), and the Corps itself share those responsibilities.

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Banks Are Expanding to Keep Up the Pace of Change

forces

JEDDAH (HT)—The man at the head of the line in Citibank does not want his funds to be counted. He wishes to have his money weighed because he wants it in coins, not in paper. While some Saudi clients are still distrustful of currency notes—paper money was only introduced here a generation ago in the form of printed "pilgrims' receipts" for the foreign currencies they brought on their journeys to Mecca—the wash of money through this country is making more and more Saudis into the kind of customer which any bank would want.

Commercial banks are expanding frenetically to keep up with the pace of change. Meanwhile the Saudi Arabian Monetary Agency (SAMA), which is the central bank, regulates the monetary sector while simultaneously serving as the investment authority assigned to manage Saudi Arabia's reserves, now second in the world only to West Germany's and to manage the bulk of external assets estimated at \$75 billion. Because of the limited absorptive capacity of this economy, Saudi private investors also are anxiously exploring the opportunities for setting up Saudi banks abroad.

In Saudi Arabia, commercial banking often involves slightly special arrangements: for instance, the Koranic rule against interest means that instead of interest, banks here supply a fee schedule, charging borrowers and rewarding depositors at least those who want interest; some big Saudi depositors do not

want interest and simply leave their funds at the bank's disposal for safekeeping.

While profit figures are closely held and foreign banks are not obliged to disclose details of their activities, the 12 commercial banks here have all the business they can handle. Citibank in Riyadh (the only Western-owned bank allowed to operate in the capital) is reliably said to earn a substantial part of the American banking giant's global profit, officially admitted as 1 per cent, probably considerably more.

The top commercial banks here include the two wholly Saudi-owned institutions, which are the National Commercial Bank and the fast-growing Riyadh Bank, and two partly foreign-owned banks, the Bank al-Saudi al-Hilali (formerly the Al-Jazeera Bank, formerly the Bank al-Hilali) and Bank al-Jazira (formerly the Bank al-Hilali).

Other foreign banks are the British Bank of the Middle East, Citibank, Banque du Liban et d'Orient Mer, Arab Bank, Banque du Caire (the only other foreign bank permitted in Riyadh), Bank Saudi Iran, United Bank and Bank al-Jazira.

The two Saudi banks have the most branch offices (150 and by far the broadest deposit base. But the foreign banks have better access to international expertise. National Commercial Bank, for instance, is reappraising its links

with First Boston Corp., its U.S. adviser.

The latest special adjustment for banks operating in the kingdom is a radical one—a requirement by next May to "Saudi-ify" by selling off at least 60 per cent ownership to Saudi shareholders. Although Citibank has appeared reluctant to comply with the one-year deadline, other banks seem resigned to the inevitable.

The Saudi authorities' motive for the new law is clear. Banks have become a highly profitable sector, and it is government policy to move Saudi into any proven enterprise, both to share the profits and to acquire the expertise. For the banks, the change may bring some advantages in the form of fresh capital injections to make the necessary expansion as well as permits to open more branches. (At present banks are not allowed to have multiple branches in the same city.)

Expansion is essential in order to keep up with the hectic tempo of business. The money supply has expanded by 44 per cent a year since 1974, leading for real estate acquisition and short-term financing to service the import boom is a staple of banking in this economy. The banks are scrambling to find staff and space to cope with the new business levels.

Manpower problems and the shortage of expertise are serious bottlenecks, but not likely a permanent one. Probably the most customer-oriented banking facility in the kingdom is the money changer, Abdul Aziz Rajhi, born a nomad

and today heading an extraordinary financial empire estimated to be worth several hundred million dollars. Originally set up to facilitate pilgrim transactions, his internal banking services, used even by the royal family, are slowly kept from becoming a bank so as to avoid falling under the restrictions applied to proper banks by SAMA.

As the regulatory authority, SAMA keeps commercial banks on a short rein. For instance, it recently allowed the establishment of the Saudi Investment Banking Corp. (a merchant bank owned by Saudis and the foreign banks—Chase Manhattan, Schroeder Wagg, the Industrial Bank of Japan and Commerzbank), both to help provide some medium and long-term capital lending (presently hard to raise in Saudi Arabia) and to attract long-term deposits designed to break the traditional Saudi pattern of staying liquid. However, when the new institution installed counters and other customer facilities, the government intervened to remind its manager that it was a merchant investment bank and not a commercial bank—and obliged the manager to burn the newly printed checkbooks. The bank apparently overestimated the degree of flexibility in SAMA's interpretation of its charter.

Under SAMA's generally conservative rules, banks in Saudi Arabia must conform to strict, narrow regulations about ratios of deposits, liabilities and reserves. This set-up has created temporary shortages of capital for expansion, but bank assets today are believed to have multiplied nearly five times since 1974.

to a level approaching \$10 billion.

SAMA also handles monetary policy, and it labors under some of the same peculiar restrictions as the commercial banks. The normal instruments of a national reserve bank such as using a discount rate or extending credit to banks are unavailable to SAMA because they represent a form of interest payment. As a result, the main technique of SAMA has been to place deposits in commercial banks or withdraw them to cool or heat the economy.

The other enormous responsibility of SAMA is to manage most of Saudi Arabia's leaping surplus, which Morgan Guaranty Trust estimates at \$77 billion—double the officially admitted figure.

Shrouded in secrecy, the disposition of these funds abroad is managed by SAMA's small investment management team advised by resident specialists from Baring Brothers and White Weld.

Amid considerable controversy of late about the placement and magnitude of Saudi surpluses, it seems certain that the bulk of it—reportedly \$35 billion—goes into long-term, fixed-interest U.S. Treasury bonds and bills. Saudi officials like Finance Minister Muhammad Ali Abdul Khalil have vehemently denied the existence of any pact tying down Saudi Arabia to any disposition of its surpluses. A current trend seems to be for Saudi Arabia to move into medium-term securities instead of holding its assets in short-term paper.

A potentially important new venture for Saudi funds overseas was the creation two years

ago of the Saudi International Bank—a full-fledged merchant bank in London owned 50 per cent by SAMA, 5 per cent by Saudi banks and the rest by leading Western and Japanese banks. The most important non-Saudi partner is Morgan Guaranty Trust Co., which also provides the management. Still flouting its feet, Saudi International Bank, if it proves successful, should become an increasingly preferred vehicle for SAMA placements.

While SAMA has no interest in seeing the Saudi riyal become an internationally traded currency, a small forward market has started in riyals, particularly in Bahrain's well-developed interbank market. The Saudis have been allowing some Arab countries to issue riyal bonds, and the authorities here are encouraging local businessmen to denominated import contracts in riyals.

Private Saudi banks are also beginning to appear overseas.

The Banque al-Saudi in Paris appears to be only a small beginning, and Saudi participation has been limited in joint ventures like UBAF and BAIL. Similarly, the Saudi "takeovers" in the United States—like the Detroit Commonwealth Bank and the National Bank of Georgia, both of which involved Ghafit Financiers, or the California banks of Adrian Kheshoggi—remain on a small scale when compared to the size of banks which are now being discussed here as takeover prospects when even better-backed Saudis make their moves into the market, probably in the near future.

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...On Rapport and Mutual Respect

Continued from preceding page.

and air defense artillery were another matter.

The result was a two-way culture shock. SANG had adjusted to British tutelage for reasons that readers of Ghobbi Pasha's books—or students of the "Lawrence syndrome"—could easily understand.

Vinnell was a 7:00 a.m.-to-5:00 p.m. operation, with field manuals, organizational charts, and the whole Pentagon-spawned approach to bureaucratic warfare. Facing the bedouin guardians was a higher person for whom a seven-day week could include two weeks of moving with his tribe to new

grazing grounds and much unaccounted for time in transit.

Fortunately there were and are Pakistani ex-officers and sergeant-majors and veterans of Ghobbi's Arab Legion standing between Vinnell's check-books and bedouin tradition. Bedouin life is in Arabic, so most Vinnell contract personnel are veterans of Egyptian, Sudanese or Jordanian service.

Remarkably enough, the system works. There is mutual respect and good rapport between all echelons of SANG, from Prince Abdullah and his sleekly commanders and the Vinnell group down to the privates. The modern headquarters and train-

ing facilities near Riyadh are indicative of success in the modernization of what is now a 30,000-man force. It will not give Israeli strategists any sleepless nights, but that was never the objective. SANG will respond with spirit and effect if the regime is renewed, and it will support the army if something goes wrong in the cities or along the desert frontiers.

If no major hostilities intervene, SANG will be as relaxed as its brothers in the army, happy in its relationships with its expatriate tutors. As for Vinnell and the American balance of payments, what could be better?

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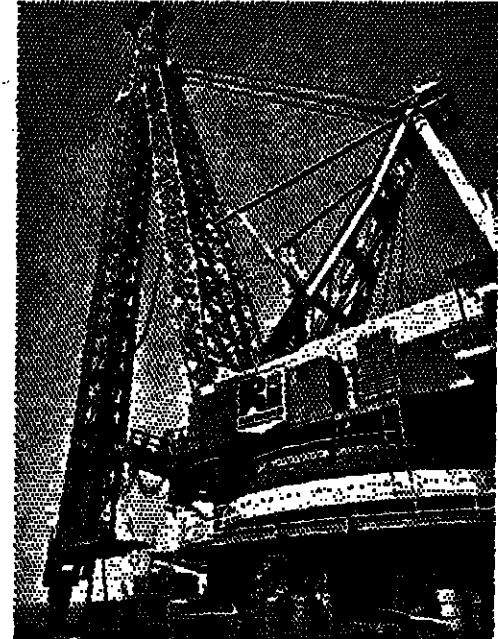
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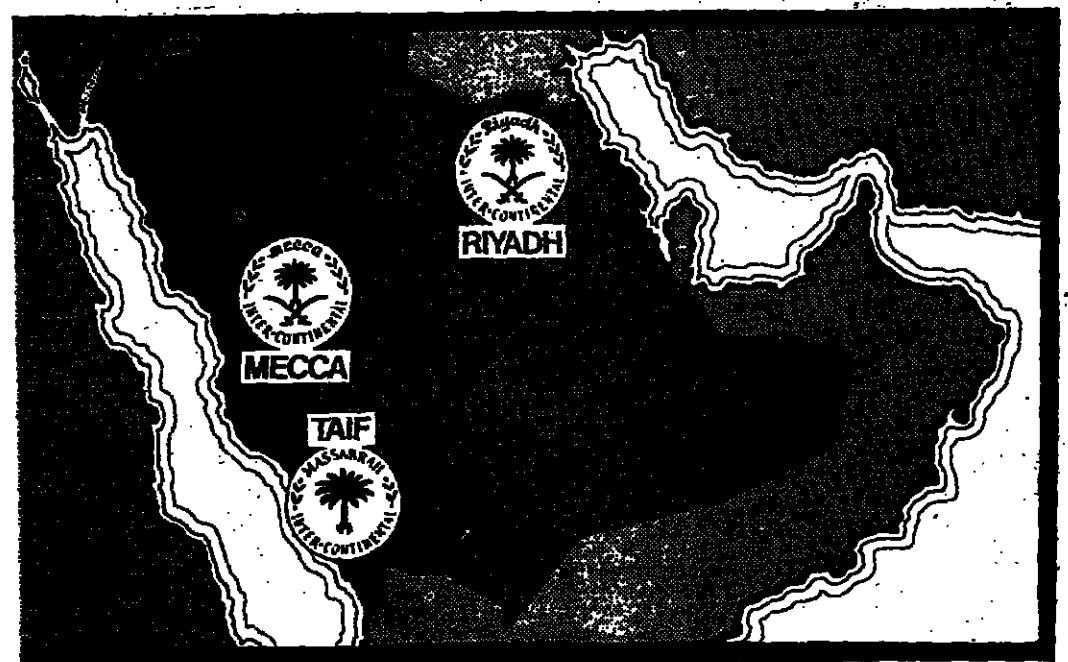
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West Is Relying on Nation's Willingness to Expand Oil Output

(Continued from Page 1.)

to reach 14 million bpd by 1981 and 16 million bpd by 1983. However, the mere installation of this level of output capacity is not necessarily the end of the matter. Saudi Arabia's plan to use it to the maximum is, in fact, the possession of spare capacity, even if it is not used, adds to Saudi Arabia's political and economic weight within OPEC and internationally. The degree of production flexibility enjoyed by the kingdom is unique among oil-producing countries. It has the capacity to raise output by one or four million bpd while the same time having the financial strength to be able, theoretically at least, to reduce it by a similar amount without suffering any economic ill effects. On the other hand, it can be argued that the possession of such spare capacity will place the Saudis under irresistible pressure to use it and when the world really needs the oil.

As of Jan. 1, 1978, Saudi Arabia imposed its annual average output ceiling for Aramco of 8.5 million bpd which had been temporarily relaxed during 1977 in the aftermath of the inter-OPEC pricing dispute. This ceiling is likely to remain unchanged for at least the next two years, during which time it should cause real discomfort to the world market. At the end of 1976, according to the Saudi oil minister, Sheikh Ahmed Zaki Yamani, the government will take another look at the ceiling and might allow a modest increase if market conditions so require. But, he noted in a recent interview, "there will be no radical jump." Subsequent increases will be levels "much less than those mentioned in the United States."

Technically, then, higher production should go hand in hand with increases in proved recoverable reserves. They can be developed in two ways: new discov-

eries as a result of exploration drilling, and the improvement of the recovery factor for oil in place in the reservoirs through so-called "secondary recovery" pressing maintenance projects involving the injection of water and/or gas into the reservoirs.

On the exploration side, hardly a year has gone by without a significant net addition to proved reserves; more oil is still being found than is being taken out. Aramco continues to discover new oil fields at a rate of about three a year. (The current tally of potentially commercial fields is 37, of which only 15 are presently producing.) However, the finds are getting smaller, and nobody expects to come across anything like another Ghawar, that incredible accumulation of oil 255 kilometers long and 20 kilometers wide with 80 billion barrels of original recoverable reserves, which is rated as the world's largest single field.

As far as secondary recovery is concerned, work is under way on the largest-ever water-injection scheme, which will eventually involve a virtual barrel-for-barrel replacement of extracted oil by injected water.

Production Ceiling

The present limit of 8.5 million bpd on Saudi production grew almost by accident out of the confused situation after the ending of the Arab oil embargo and embargo measures in 1974. This had been the level at which Saudi output was running before the embargo; afterwards it solidified into a government-stipulated maximum. In any case, from 1974 to 1976 it remained purely theoretical due to the stagnation in world oil demand, deflated as it was by the recession and the fourfold price increase of 1973-74. In 1977 it was lifted in an effort to curb the enthusiasm of the OPEC price hawks.

Harnessing Gas for Export

HAHRAN (IPT).—Saudi Arabia, already the oil colossus, is now moving into a similar commanding position in natural gas.

At present, gas is wastefully burned in giant torches as it is turned off after emerging from the ground with the oil. When needed, it will make Saudi Arabia the world's largest exporter of gas liquids by the mid-1980s.

As will also be turned into methane to power industries and use to serve as petrochemical feedstock in the two planned industrial parks at Jubail and Yanbu.

To harness this new energy, Saudi Arabia has embarked on a \$4-billion gas-gathering and treatment program to handle all gas output emerging from a tuck of 12 million barrels a day (bpd) (considerably more than the present oil production of 8.5 million bpd). Officials of Fluor—the U.S. company which, along with Shell, is the most active firm in the country and which is managing construction of the gas system for Aramco—the project does not involve remarkable engineering expertise. But like almost everything else in this fast-developing country, it is noteworthy for the scale of the undertaking. The main pipeline—being built by Exxon and Mobil—right across

the Arabian peninsula from the eastern province hydrocarbon fields to the new industrial area at Yanbu on the Red Sea.

When the work is completed, the Saudis will have a truly integrated system that will sort out the different kinds of gas and get it to places where it can be used productively.

Natural Gas Liquids

However, heavier gases are easier to liquefy and handle: Saudi Arabia has decided to limit its exports to natural gas liquids (NGLs), propane and butane, which liquefy easily as liquid petroleum gas (LPG).

Although gas was difficult to market in the 1960s because interest was limited except for Japan, it is considered now a precious fuel, and OPEC countries are seeking ways to maintain higher prices as they succeeded in doing with oil.

Expanding its own exports of natural gas liquids, Saudi planners expect availability of NGL to rise from the present 260,000 bpd to 450,000 bpd in 1982, and then to 650,000 bpd by 1985. By that time Petromin predicts Saudi Arabia will account for 15 per cent of world production of NGL and one-third of NGL moving in world trade.

Other oil-producing countries are also planning to put out their flares and start harnessing their natural gas. But their plans are dwarfed by the Saudi project.

But now that it has been reimposed, the indications are that it will not be lightly given up.

The fact that a production ceiling is in existence at all is, of course, a gesture both to the other OPEC producers and to the powerful lobby in Saudi Arabia which argues that the kingdom should not produce more oil than is strictly necessary to cover its financial needs. Almost all Saudis feel the force of this argument, but the leadership at any rate realizes that it cannot withstand the practical exigencies of the world thirst for oil.

However, they resent the lack of appreciation in the West for the sacrifices involved for Saudi Arabia in producing the extra oil. And sacrifice it certainly is, since the Saudis are depleting this exhaustible resource by producing twice as much as they need in return for cash proceeds, which are subject to relentless erosion by inflation and currency fluctuations and are besides a terrible headache to invest.

There is also a feeling of disappointment among many in the

kingdom that Saudi moderation on oil production and prices has elicited such meager dividends from the West on key issues. The continuing close relationship with the United States, and the sense of security which this must provide in troubled times, are no doubt plus factors, but this relationship would probably be their for the asking in any case. On the vital, all-important requisite—U.S. pressure on Israel to bring about a Middle East settlement acceptable to the Arabs—precious little of a concrete nature has been forthcoming.

The Question

At bottom the issue is one of leverage. Ironically, by helping to damp down demand for oil, the price explosion of 1973-74 effectively trimmed the bargaining strength of OPEC in general (namely, the abortive North-South Dialogue) and Saudi Arabia in particular. But when—and the present price freeze will tend to make it happen sooner rather than later—world demand

starts to bump up against the Saudi ceiling and the pinch is felt, Saudi Arabia's international leverage will be restored with a vengeance. The only question is: When the time comes, will the Saudi leadership have the necessary self-confidence to exact a suitable quid pro quo for meeting the world's oil needs?

In weighing their eventual production decisions, the Saudi leaders will have to take into account a wide range of factors, notably: progress towards a Middle East settlement (whatever point may have been reached by then); Western cooperation in defense and economic development projects in Saudi Arabia; the health of the world economy; Western responsiveness to Saudi and technical questions, such as the proving of additional reserves and the performance of the oil reservoirs under conditions of increasing production.

Exactly where this cocktail of determining factors will lead is anybody's guess at the moment. What Saudi Arabia does on production will, of course, have a

decisive influence on prices as well. Within the OPEC context, Saudi Arabia has emerged from last year's tug of war as the undisputed price leader—a development greatly facilitated by the conversion of the Shah of Iran, after a pragmatic about-face last November, to the Saudi price-freeze platform. Though resentful, the more hawkish members of OPEC have now more or less accepted the inevitability of a price freeze through to the end of 1978.

The Price Freeze

Saudi officials generally justify the kingdom's price-freeze policy on the primary grounds that the current soft market for crude, with prevailing surplus availability estimated at two million bpd, cannot sustain any price increase, and secondly that it is essential for the well-being of the world economy. The opposition, for its part, stresses the loss of purchasing power through inflation and the slide of the dollar, and often persuasively argues that

the world will never get its energy balance right unless oil prices are raised over a period of years to match the costs of alternative energy sources. The Saudis feel that, given the yawning price/cost gap between oil and alternative energy sources at present, such medicine, even in gradual doses, could well finish off the patient. To which the others might riposte that a prolonged freeze followed by an almost inevitable jump in prices would probably have much the same effect.

However, the disagreement is perhaps more apparent than real since the Saudis, too, recognize that in the longer term oil prices must rise. As Sheikh Yamani said recently: "Sometime in the future energy consumption will rise to a level which will make an increase in oil prices inevitable. What we have to do is to avoid any sharp jump, as there was in 1973-74, by allowing for whatever market forces bring about."

A change expected this year is the takeover of Aramco and the

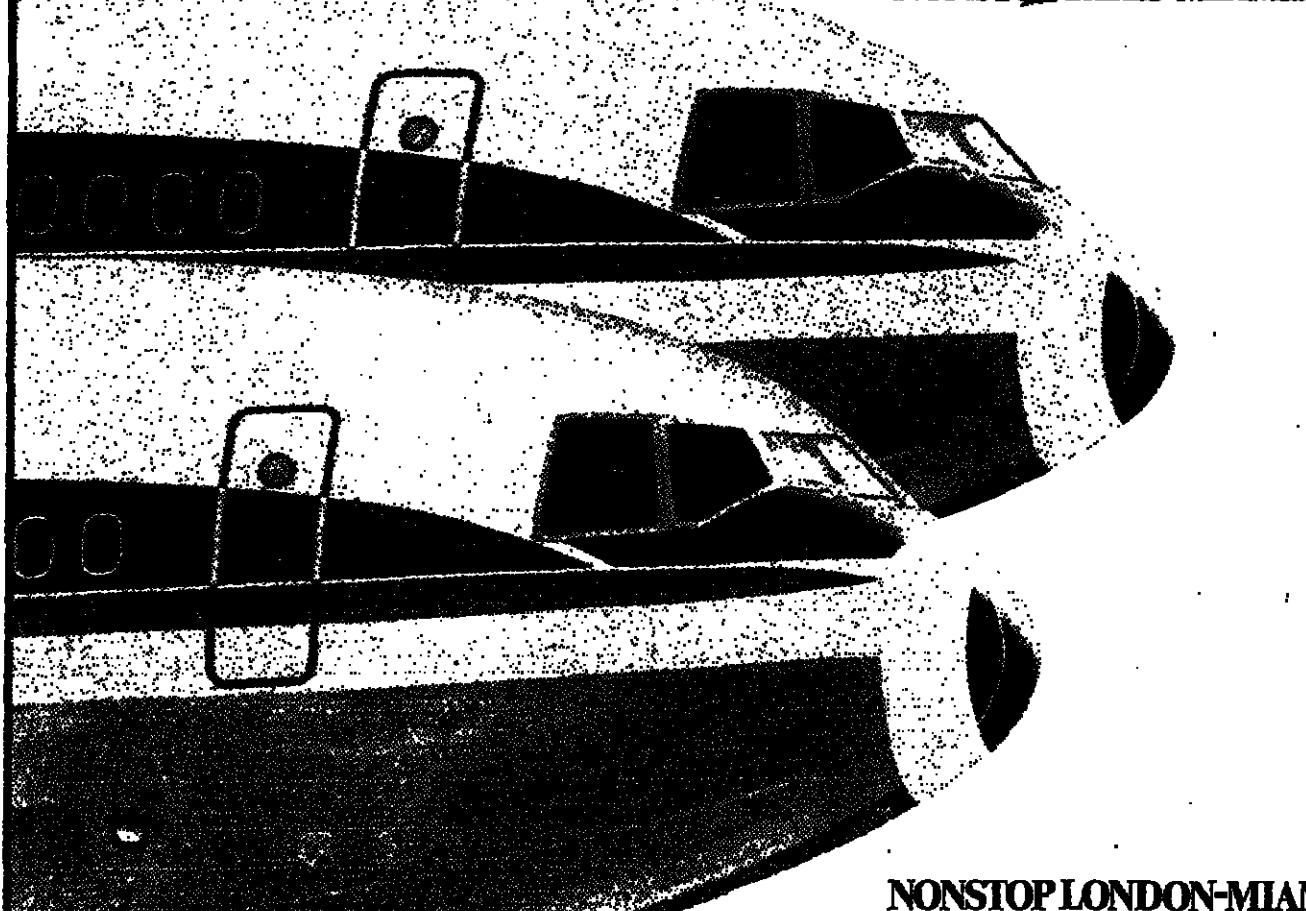
establishment of a new Saudi structure to manage the kingdom's oil. The new financial terms for Aramco, retroactive to 1976, have been set and, in practice, are already being implemented.

The new Saudi Aramco (it will keep the old name) will continue to be the operating company. The former U.S. owners, the four oil majors, will continue to supply technical, operational and management services and carry out exploration and prospecting. For these services, the American companies will be paid fixed fees per barrel of oil produced and will continue to buy-up the bulk of Saudi output.

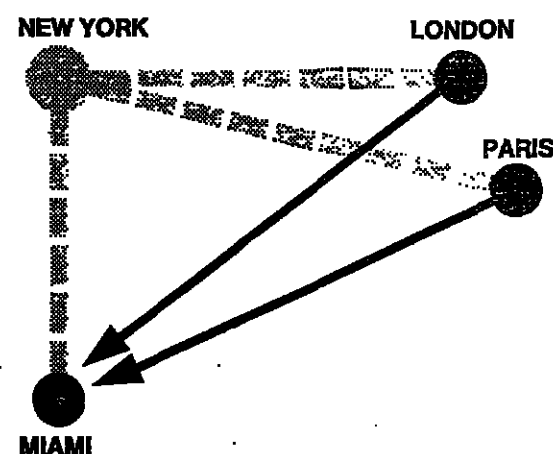
It is planned to set up a new Saudi National Oil Corporation to take charge of all oil industry ventures. Under it will be: the new Saudi Aramco; Petromin (the present state oil agency) which will handle oil sales in the kingdom; an international marketing organization to handle foreign sales and, possibly, a tanker company.

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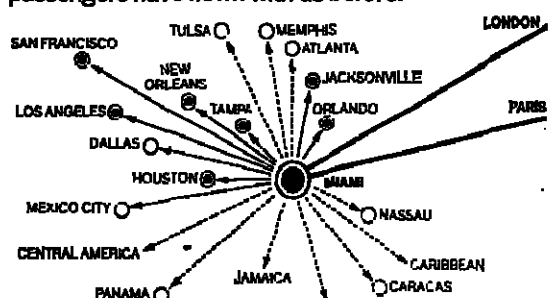
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Royal House of Saud—World's Richest, Most Powerful Family

(Continued from Page 1.)
his later Mr. King Faisal nonetheless steadily moved the kingdom along the path of change, overriding objections from religious extremists to innovations like television and women's education.

The new generation of leadership coming from still younger sons of Abdul Aziz will have to preside over the present era of more active Saudi foreign policy and accelerated social change at home. In this period, continuity is second only to legitimacy as a key political asset of the Saudi dynasty.

Succession

There is no firm, accepted rule for succession of the Saudi royal line. Succession has swung between the Ottoman system of passing power horizontally to the eldest direct descendant, usually a brother, and the British system of crowning the eldest son. At present the Saudi succession is sliding along a line of brothers, sons of Abdul Aziz the founder. But Abdul Aziz passed over several living brothers of his own to pass the crown to his son Saud.

King Saud, a friendly but shortsighted spendthrift, ruled for a decade, but his lack of political vision and his ruinous extravagance nearly brought disgrace and bankruptcy on the family. He was finally deposed in 1964 in favor of Prince Faisal. An additional factor was his bid to

bypass the will of his revered father and reroute the succession from his younger brother to his own huge brood of sons.

There are still 32 living sons of Abdul Aziz, including King Khaled and Crown Prince Fahd. The youngest, Prince Hamud, the 37th son, is 30 years old. When the founder's sons are exhausted, the family will have to decide whether to follow the system usually adopted in the past: passing the throne down from the last son of Abdul Aziz to his son.

The alternative seems messy. Kingmakers would have to go back up the line to the elder grandsons of the founder: the remaining sons of Saud's 46, Faisal's eight, Khaled's six, Fahd's etc.

Thirty-Seven Sons

Saudi founder Abdul Aziz had 37 sons (offspring of his policy of sireling children from wives chosen to cement tribal alliances), more than 100 grandsons and, even by the most modest estimates, 500 or more great-grandsons. He also had 10 brothers, two of whom—Ahmad and Musaid—are still alive and influential and all of whom had numerous children.

Compared to the Saudis, the inheritance of the Rockefeller—whose founder, John D., had three brothers, one son, five grandsons and 10 great-grandsons—is simple. The Rockefeller males can comfortably meet on a cabin cruiser or around a dinner table for

family conferences. Mellon men could easily fit into a small executive jet and chart the future of the Mellon Bank, Gulf Oil, Alcoa, Rembrandt and other family holdings. The more extended Rothschilds would need one of their smaller chateaux for a family get-together.

But to transport the heirs of Abdul Aziz together, it would take a flight of Boeing-74's or the QE II. A full family conference would split the seams of almost any conventional hotel. So the Saudis imitate any company with a mob of shareholders. They have a board of directors which represents the various branches of the family. It is called the Council of Elder Princes. It makes decisions the chairman of the board—the King—cannot or will not make alone and it considers delicate family matters.

Inner Council

While the inner workings of this royal corporation are shrouded in impenetrable discretion, it is believed that this inner family council includes Prince Muhammad (eldest surviving son of Abdul Aziz), King Khaled, Crown Prince Fahd, National Guard commander Prince Abdullah, Defense Minister Prince Sultan and Prince Abdul Mubassir, tenth surviving son of Abdul Aziz—plus Abdul Aziz's two surviving brothers, Ahmed Al-Saud and Musaid Al-Saud.

An even smaller group, apparently the king and his three half-

brothers holding Cabinet posts, constitutes an "inner Cabinet," which takes the key political decisions about national policy, knowledgeable sources say.

The Council of Elder Princes, however, is the body which takes the corporate family decisions—such as the decision to depose King Saud. A decade later, minutes after King Faisal's murder by the deranged fellow-royal, the council met and determined the succession by confirming the choice of Khaled as king and prime minister and choosing Prince Fahd as crown prince and deputy prime minister.

Four days later, the council extended the succession decision by, in effect, naming a crown prince to the crown prince: Abdullah, Abdul Aziz's sixth surviving son, was appointed second deputy prime minister.

A Delicate Matter

Along the way some sons of Abdul Aziz were passed over. Only the council could handle such a delicate matter. After King Saud's ouster and King Faisal's assassination, the next in line was Muhammad, fourth son of the founder. There is no solid information as to why he was skipped over. The official version is simply that he renounced his rights in favor of the next in line, Khaled.

According to other reports, Prince Muhammad, though forceful and intelligent, has personal problems. He agreed to a

council judgment that he should not rule on condition that Khaled, his full brother, not be passed over in favor of his half-brother Fahd, despite the fact that Khaled was weakened by a heart condition while Fahd was a relatively experienced administrator. Two other sons of Abdul Aziz, Prince Nasser and Prince Saad, both 55, have been passed over, apparently because they had unacceptable shortcomings.

The council has been important in maintaining family solidarity, combining princes with political power and princes who exercise traditional family influence by virtue of age, wisdom, tribal connections or piety.

But there is rivalry. Important princes jockey to keep other important princes from monopolizing power. Various poles of power in the family start with the king and his full brother, Prince Muhammad. Their mother came from the family of Jiluwi cousins, powerful in the eastern province.

'Sudeiri Seven'

Crown Prince Fahd is the eldest of a group of full brothers called the "Sudeiri Seven" after their mother who came as wife to Abdul Aziz from the Sudeiri clan, important in central and southwestern Arabia.

The brothers of Crown Prince Fahd are well placed. Prince Sultan, 55 (12th son of Abdul Aziz), is minister of defense and avi-

ation. Prince Turki, 45 (20th son), is deputy minister of defense and aviation. Prince Nayef, 44 (23d son), is minister of interior. Prince Salman, 41 (28th son), is governor of Riyadh Province. Prince Ahmed, 38 (28th son), is deputy governor of Mecca Province and Prince Sattam, 37 (29th son), is deputy governor of Riyadh.

Prince Abdullah, who has no full brothers, was born of a mother from the Shammar tribe, important in the north. In addition to his post as second deputy prime minister he is commander of the National Guard, a force which parallels the army and could be a balancing force in a showdown or coup attempt.

Another important grouping of full brothers among Abdul Aziz's sons is the trio of Sa'ad, Musaid and Abdul Mubassir: the latter, governor of Medina, could well figure in the succession, particularly because his two brothers (one of them the father of King Faisal's assassin) already have been passed over.

In all these patterns of affinities and tactical alliances among princes, a crucial factor is the role of women—particularly the bonds created by the wives and mothers among their offspring.

Saudi menfolk are allowed to take wives from several noble Saudi families including the Sudeiris, the Jiluwis and Al-Ash Shaykhs. Saudi princesses, however, are forbidden to marry outside the royal family, with the single exception of the Thumayyan family, who are distantly related to the Saudis. The behind-the-scenes influence of the women may affect the views of groups of princes on issues which are currently being quietly debated within the ruling family.

While the family presents a united front in public and probably shares a large measure of consensus in private, it could be said that King Khaled and Prince Abdullah tend to be traditionalists who want to modernize very cautiously—at a safeguard—against the social problems of Western societies—perhaps and who guard jealously the bedouin values of nomadic desert life. Crown Prince Fahd is more Westernized and less afraid of faster progress.

Among the issues which are discussed are the pace of economic development, cultural change, including the role of women, and giving the growing middle class a greater say in government decisions. Differences vary from issue to issue and from prince to prince. There is no evidence that the differences have spawned serious rifts, however.

The sons of the late King Saud, more than 40 of them, once viewed as a potential source of trouble, have been pushed out of influential positions.

Leadership

In contrast, many of the "nephews" (actually grandsons of the founder) seem destined for leadership. A good number have been educated abroad and are hard at work.

Sons of the late King Faisal, for instance, have been brought into the ruling circle. The elegant, Princeton-educated Prince Saud Al-Faisal is foreign minister.

Prince Khaled Al-Faisal is the extremely able governor of the southwestern province of Asir. Prince Muhammad Al-Faisal until recently ran the government's water program: it was he who intrigued the world by backing research on the possibility of floating icebergs from the Arctic to the Red Sea for fresh water. Two other sons of King Faisal are officers—one in the army, one in the air force.

The sons of the "Sudeiri Seven" include many impressively capable young men, as well.

Twice, however, the family has suffered embarrassing, visible cracks.

In the early 1960s, Prince Talal, now 46 and the 18th son of Abdul Aziz the founder, fell under the spell of Nasserism and democracy in Cairo and Beirut. He married a daughter of Riad Solh, one of the founders of the Lebanese Republic. He renounced his title of prince and became a Republican.

Forcing with two brothers, Prince Badr, 45 and the 31st son of Abdul Aziz, and Nawaf, 44 and 23rd son, and two half-brothers, a group called the "Free Princes."

After drawing up a plan for a national assembly in Saudi Arabia, Talal and his group were forced into exile in 1962.

A Pardon

King Faisal pardoned them after they made a public statement of allegiance in 1965. Talal now lives an unpolitical life at home and abroad. The other two brothers were readmitted into the power structure: Prince Badr is deputy commander of the National Guard and Prince Nawaf served as counselor to King Faisal.

The second incident came about on March 25, 1975, when a young prince, his hair still long from years spent at school in Colorado and California, shot and killed King Faisal in the audience hall. The assassin was Faisal, son of Prince Musaid, 55 and 14th son of Abdul Aziz the founder.

Many reasons were cited for the desperate act. The assassin's father is said to be mentally erratic; his mother was a member of the Rashid tribe defeated by Abdul Aziz at Riyadh in 1902; the assassin's older brother, Khaled, a religious fanatic, had been killed by police when he led a violent demonstration against the opening of a television station, which he believed to be against the Koranic rule barring representation of the human figure; the assassin had been engaged to a daughter of the late King Saud, whose relatives resented King Faisal for deposing King Saud.

Such reasons represent potential problems that Saudi leaders face with their vast wealth, many-branched family and the tensions of a closed, tribal culture opening up to vast, new horizons.

It can be argued that the house

of Saud has done quite well in policing itself. Thousands of male princes, most of them millionaires, have been involved in relatively few known scandals.

However, a factor in this record is the inability of the conservative Saudi press to touch on a matter which might reflect poorly on the family. Also, law enforcement authorities are apt to treat family members as above or at least beside the law, letting the Saudis wash their own dirty linen.

But the family itself is crack down on punishment—publicly. The regicide, Prince Faisal, was beheaded according to Muslim law for the murder of his uncle the king by an executioner wielding the golden sword specified for royalty.

An earlier princely killer, who murdered the British consul at a party in Jeddah, was sentenced to life imprisonment. But if term is being served comfortably in a family villa after British diplomats asked for a stay of execution so as to avoid around anti-British feelings.

Under King Faisal, allowance to princes were cut back. It intensified the development of royal family business.

One knowledgeable source estimates a figure of about \$3 million a year in allowances for the family from oil receipts. It would average \$60,000 to \$150,000 a year per prince depending whether one accepts the low (2,000) or upper (5,000) estimate of the number of Saudi princes, and depending, too, how much is given to some 20 never-seen princesses.

The figure for princely allowances may sound extravagant, but it is less than 1 percent of the nation's oil income and dozens of the princes working for "the corporate" running the country. Eight of the 36 Cabinet ministers and the provincial governors are Saudi princes.

In addition to allowances, family members can get richer dealing in land or earning as commissions, or undertaking of business transactions. Many of these supplementary forms of income rely on nepotism that would be unacceptable or illegal in so many countries. But in Saudi Arabia when a family member makes killing selling property—most which is owned by the family—in the wildly inflated real estate boom around the cities is considered normal. It is a normal for princes to act as silent partners in the race commissions on billion-dollar port deals. Recently, some indications have emerged of a bid by the royal family to get example that the national interest should come before personal business even family personal business.

Some U.S. officials, whose interest is in seeing the conservative Saudis stay in power, say prevention of corruption or favoritism, together with education and rearing of princes as useful citizens, is the most critical task facing the family.

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مركز امداد



A Few Years See Sweeping Transformation

(Continued from Page 1.)

In 1974, one minister said thought two-thirds of the should be handled by U.S. agencies. Relations soured subsequently the state of threats to Saudi Arabia and the king of U.S. legislation aimed breaking the Arab boycott on oil. With eventual peace in the Middle East, however, Israel and boycott would cease to be and the talk of invasion could be ended. Despite an astronomical financial surplus, Saudi Arabia cannot be called a rich country. It does not have the farms, the factories, the banks, the parks, the museums and the infrastructure which make Sweden or Norway "rich." It does have a current income and it does have the potential of converting it into a rich country. Much has already been done in construction, in building roads, schools and hospitals, and rising expenditures on these can be expected to level off with peace in the Middle East. The expenditures on arms might even decline. A big portion of Saudi income the next few years will be absorbed by expenditures on the industrial establishment: pipelines to gather and transport oil and oil export refineries, petrochemical plants, iron and aluminum reduction facilities and steel mills. But if they are properly conceived—and the new minister of industry is determined at all major projects will be implemented—they should be paid for by the national wealth in a few years. While the annual Saudi budgetary surplus may decline for the next few years, they are unlikely to disappear. Unless waste comes unbundled, the surplus could start to grow again early in the 1980s. The kingdom's anti-Communism, good relations with the United States, and its moderation on Arab-Israeli issues have led some to conclude, erroneously, that Saudi Arabia is an American satellite. In a similar fallacy, some Americans have been led to conclude that the kingdom could be taken over, granted that it had no place to turn. Washington's initial optimism about the Saudi role in oil prices has now given way

to an equally erroneous assumption that Saudi Arabia can always—and will always—be a brake on price increases. Americans tend to take these positions because they disbelieve, or discount, or do not hear, the Saudis' own statements.

This had led to serious error in the past, most notably in 1973 when a deaf ear was turned to warnings from King Faisal that the oil weapon would be used if there were not a move toward Middle East peace.

There is no doubt of Saudi anti-Communism or Saudi desire to remain friendly with the United States. But Saudi Arabia is Arab above all; its other foreign-policy concerns do not take precedence over matters of importance to the Arabs. Saudi interest in Jerusalem did not die with King Faisal. Saudi Arabia does not secretly want the Palestinians to be crushed and absorbed in spite of continual reports from some widely read political commentators.

On oil, too, there is a clear danger of miscalculation. Saudi Arabia is not trying to break OPEC; it is not secretly trying to ruin the economies of Iran or Iraq and, contrary to some of the wilder testimony before the United States Senate, it does not need more income. It is not afraid that it will be left with the oil in the ground and it does not believe the major consumers will do anything which would depress oil prices. Neither does it believe that the current price of oil is higher than the price of oil ultimately should be.

The Saudis believe, and have repeatedly stated, that the price of oil rose too far and too rapidly after 1973; they believe, as do all OPEC governments, that the price of oil will be determined ultimately by the cost of production of synthetic liquid hydrocarbons and that this will be roughly twice the present price of oil.

Foreign Minister Prince Saud has said that Saudi Arabia's price dispute with its OPEC colleagues was only "the timing and rhythm" of price increases.

The importance of the "timing" is not to be underestimated, but this does not mean the Saudis favor an indefinite price freeze. In various recent projections of world oil supply and demand for the next 20 years, more sober analyses conclude that a supply

problem will appear unless Saudi Arabia lifts its current oil production ceiling of 8.5 million barrels per day. Optimistic reports have in common a belief that Saudi Arabia will increase oil production as needed.

So far it has done so. Yet there has been strong opposition in the country to even the present production levels. Many Saudis believe that such current income is wasted; that the surplus income has only been placed in U.S. Treasury bonds or in bank deposits, where the rate of return is less than the rate of inflation; and that it would be much better for Saudi Arabia to keep its oil in the ground until it needs the income.

Nonetheless the world demand for the oil will be great, and I think that the United States can reasonably expect to get oil from Saudi Arabia under a few important conditions.

King Faisal and King Khaled have both said that they understood their responsibilities to the world and would produce the needed oil provided there were a just peace in the Middle East.

This is not the entire picture, however. Sheikh Ahmed Zaki Yamani, the oil minister, has repeatedly added to this formula his warning that his country could not be expected to produce oil—its only important natural resource—if the West continued to be profligate in its use. Saudi Arabia would produce oil for essential uses; it would review its position if there were no efforts in the industrial countries to conserve energy.

There is one more consideration. The Saudis must be shown that they can use their income for the development of their country and their area and that whatever surplus it has can be invested profitably abroad. It would not be rational to assume the Saudis will forever be willing to accumulate deprecating dollars.

The Conditions

These are not impossible conditions. President Carter is fully committed to working for peace in the Middle East. He is equally committed to a strong program of energy conservation in the United States. And there are no American governmental obstacles to widespread Saudi investment in the United States.

But even if all conditions are fully met, it must not be assumed that oil prices will also be frozen. This is out of Saudi hands; it will essentially be out of OPEC hands. As Saudi Director of Petroleum Dr. Abdul-Hadi Tahir said recently, "I would like to have someone show me how oil prices are to be kept down during the shortages we will surely have."

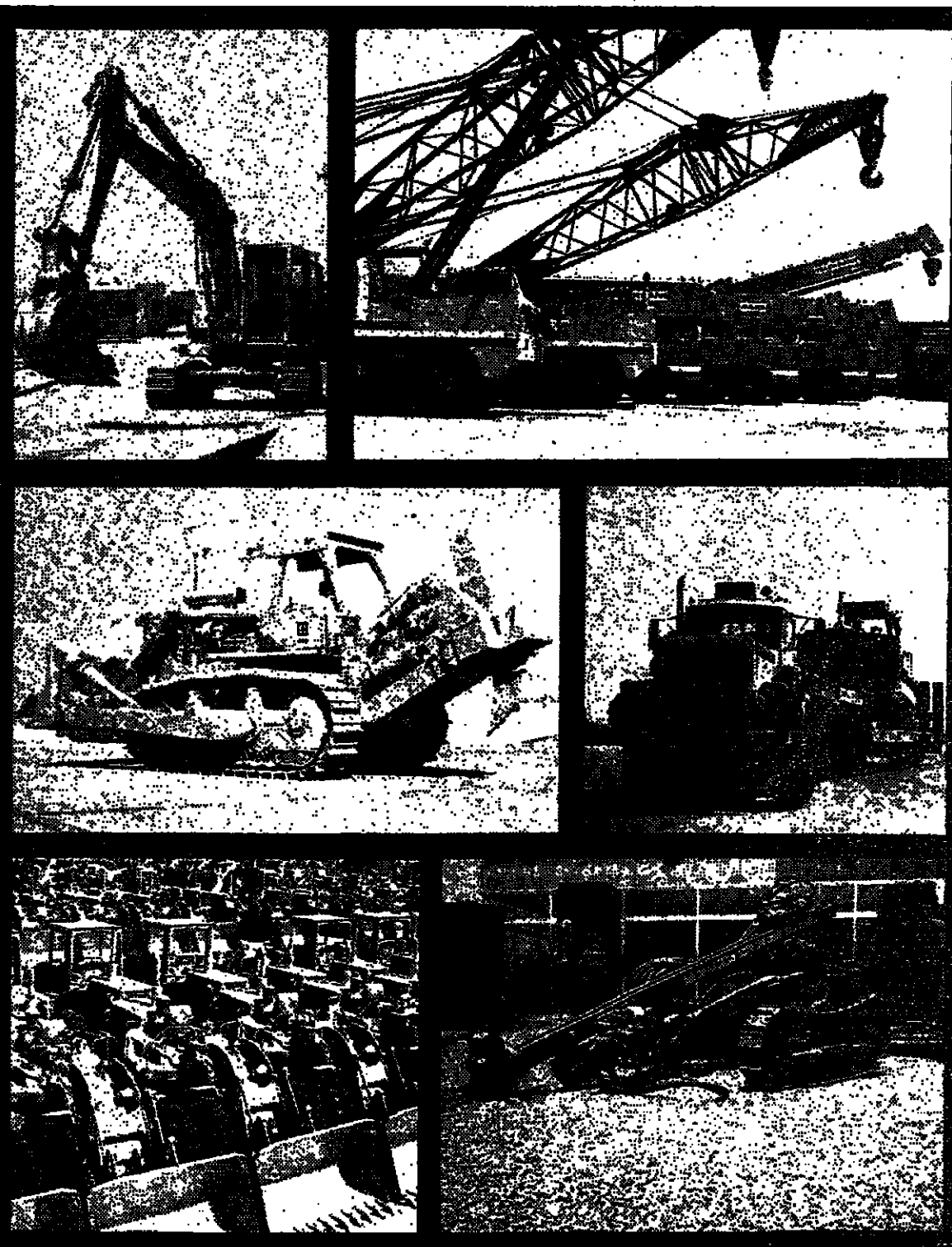
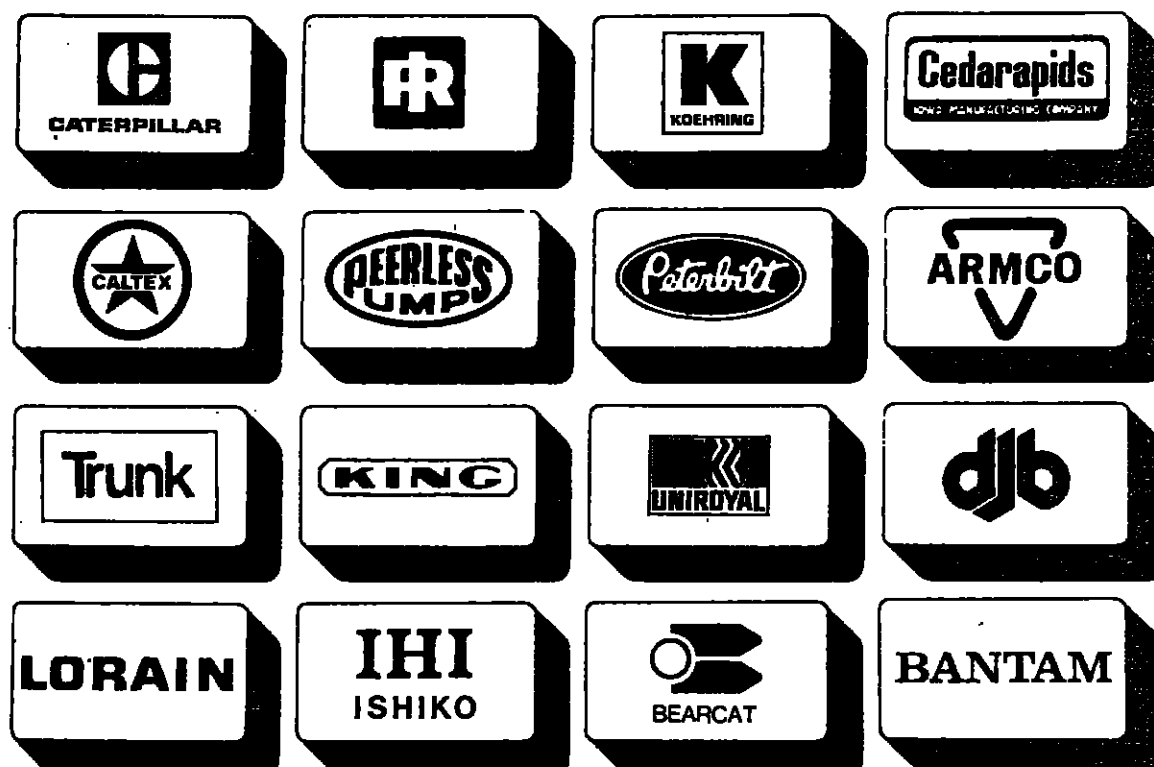
This does not necessarily mean that oil prices will inevitably skyrocket as they did in 1973-74. If the International Energy Agency implements its planned policy of limiting oil imports, the industrialized world should be able to work out with Saudi Arabia and other oil-producing countries a schedule of production and prices to cover the time from now until synthetic hydrocarbons are introduced to replace conventional oil—probably toward the end of this century.

Anything said here or elsewhere about future energy supplies is based on the assumption that there will be peace in the Middle East. If there is not, we must plan for catastrophe, not smooth transitions. With peace, however, our oil and petrochemical companies, our aluminum and iron and steel companies, should also be able to develop with Saudi Arabia extensive new joint ventures for refining petroleum, for manufacturing basic hydrocarbons and for producing sponge iron, raw steel and aluminum in Arabia and more sophisticated, labor-intensive products in the United States.

There may have been some truth in the old accusation that the U.S.-Saudi relationship was a master-client one. However, awakening recognition by the United States of its own interests and a more realistic assessment of its capabilities and its foreign policy limitations are matched by Saudi Arabia's growing recognition of the extraordinary, but narrowly based, power and influence it can have for the next 20 years—and beyond, if its resources are carefully husbanded.

There is good reason to look forward to the development of a flourishing new relationship between these two unique countries. The United States' strength and technology working together with Saudi energy and capital can be of immense benefit, not only to the two countries themselves, but to the world.

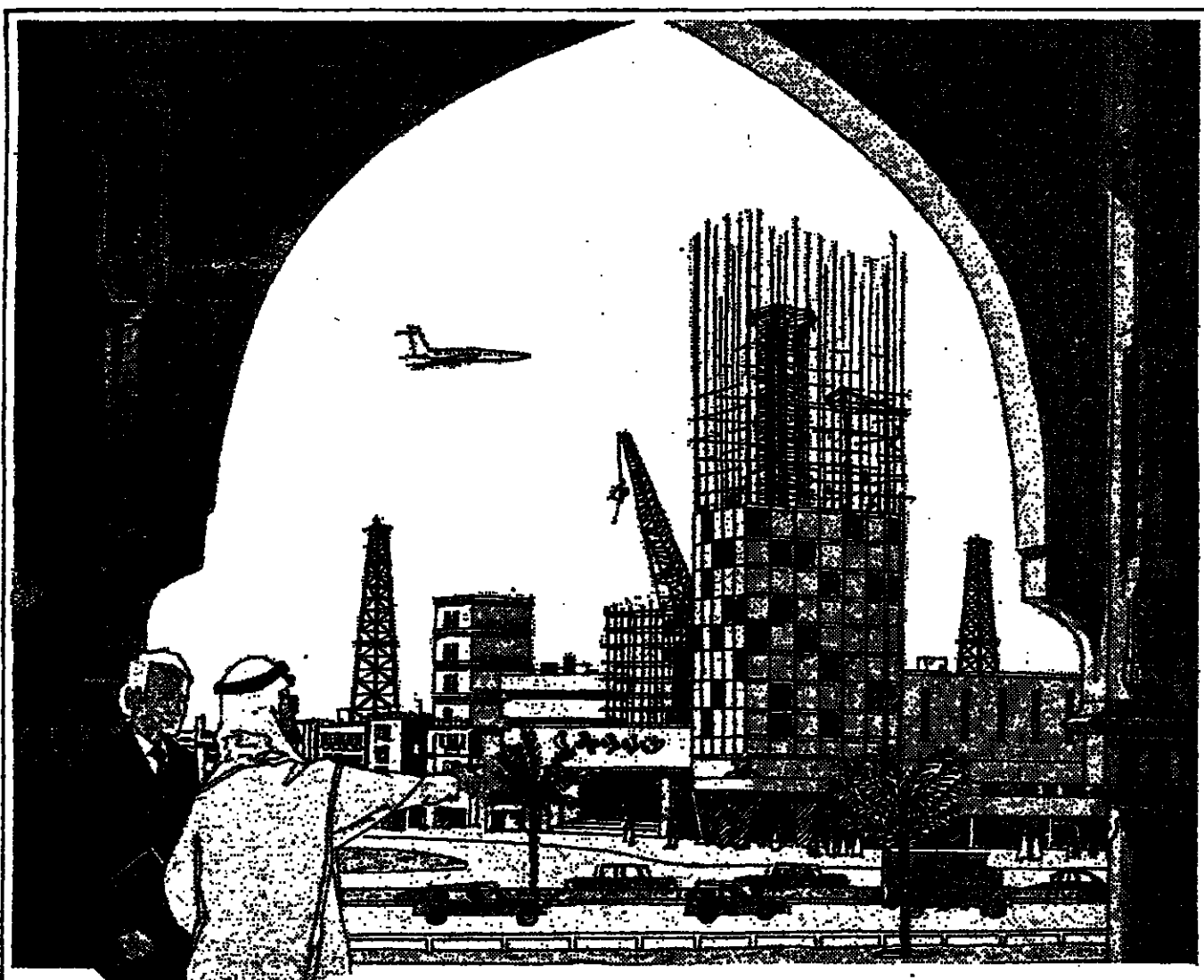
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For Women, Education and Luxury Bring Mixed Blessings

By Mary Jo McConahay

RIYADH (H.T.)—For women in Saudi Arabia, the sudden flow of oil wealth is a mixed blessing. It is bringing education and better health for themselves and their children, eliminating drudgery and even providing luxuries. At the same time it brings aspirations which their strict religious society is not ready to agree to.

"It can't go on like this much longer," says a 24-year-old woman from Jeddah who has attended university and is married to a Saudi businessman. "Some of us want to work at different things, we want to drive and we don't want to wear the veil. But we don't want to hurt our families or go against our religion. I see a lot of tension among my friends."

Despite mixed emotions and even stress among traditionally educated women who feel it is time for some changes, the situation apparently can go on—perhaps much longer. In cosmopolitan areas of Jeddah and the eastern province girls may wear thinner veils and shorter black abayas over their long dresses, but there are few who want to risk family displeasure, bold stares or even the stick of the religious policeman. Customs, with the religious approval they have acquired, and the strict, puritanical version of Wahabi Islam combine to keep social change for women to a minimum.

In towns and cities the rich and middle-rich live with the best and latest products the developed world has to offer. Even housewives in the most remote areas are little by little experiencing labor-saving devices. No longer is the laundry an all-day affair spent with other women, and a recent nationwide electrification program means that ironing, for instance, is not a matter of heating coals and yielding a weighty medieval pressing device. Bakeries and pre-packaged food save hours every day.

Yet unlike the Western pattern, increased leisure does not signal a release from the house or the chance to develop a chosen career. For the Saudi woman, more time means more time to spend at home.

"We don't want our women on the street," says a high government administrator, a European-

educated member of the royal family in his 30s. "When you see a woman you think, 'She is a mother or she will be a mother.' Men and women are equal here because they have equal responsibility. Man has to build from the outside and woman from the inside."

A full generation after the discovery of oil—as these men are managing one of the quickest-growing economies in the world, guiding the social development of a people thrust suddenly from nomadism to a state of post-industrial urbanization, taking important positions on international fronts—the women of Saudi Arabia are still expected to stay out of "the streets" and neither be heard nor seen except within family groups. When they do go out, they cover up with veil or face-mask and the black, shapeless head-to-toe gar-

ment which renders them "invisible." A woman may now hold a passport in her own name, but she does not leave the country or even travel from one city to another within the kingdom without her mahram, a male relative who will act as keeper or protector.

Saudi women may not drive under any circumstances. They may not take taxis alone or with other women. They are not expected to appear in government office, public places or the markets except under extreme circumstances. Saudi women cannot attend museums, zoos or cultural exhibits except on designated ladies' days when men are not allowed. They do not choose their own husbands.

Men and women who are not perfectly satisfied with these conditions pin their hopes for change not on money or labor-saving

devices, but on education.

Fatma Mandily, through her husband, was the first woman to gain admission to Riyadh University in 1963. Today 1,500 young women are attending the university on their own separate campus, and Dr. Mandily is one of their professors. The women's campus is understaffed and the facilities could be better, but, as Dr. Mandily explains, there are so many young women who want to study that the university must try to accommodate them until the modern new women's campus is completed.

"The girls are all hard workers," she says. "Some want to make themselves suitable as wives to educated men. Others want to have careers. But either way, once you start something you don't stop. These girls will, I think, impose themselves in the future."

Education for women has been an uphill fight, a story of government success against grave obstacles. Opposition was so great in the early 1960s that the late King Faisal opened some of the first girls' schools under military protection—traditionalists believed a community school would corrupt girls and weaken their faith.

To appease conservative religious circles, the government still administers girls' education separately from boys' under a distinguished religious personality. While the climate has changed dramatically over the past decade, with Saudi families and communities supporting the government's push, the religious patterns on girls' education will remain.

"We need people in these positions who are cautious, religious, and who can protect girls from themselves and their

surroundings," says a provincial administrator. "We need people to make sure that certain things don't change."

Girls see time and money lavished on boys' sports while they themselves are not permitted even physical education classes; yet the girls run to school with an enthusiasm seldom seen in the West. College women "attend" many lectures by closed-circuit TV because they are not allowed to be present with males, and because women professors are in short supply. Yet teachers report women at all levels outshine their male peers (perhaps partly because boys are allowed more diversions outside class).

Although the government is building schools as fast as materials and manpower allow, boys have first priority. The goal for female primary school

enrollment by 1980 is only 50 per cent that of boys, and the drop-out toll is severe. In secondary and higher education, girls are still limited to "appropriate" studies.

As Fatma Mandily sits in her spare office and speaks animatedly of the new opportunities for girls today, a tableau forms around her desk as if to dramatize the point. An old, black woman, shoeless, chewing gum and flashing her own gold rings, serves tea. Two young women, who have walked in carrying paperbacks by Austen and Brontë, fingering off their abayas, revealing jeans and track shoes and explain in English they are late for their seminar because the classes they teach to secondary students ran overtime.

How do such working women answer claims that their place is in the home? The close-knit Saudi family life will not be

threatened if women are given more freedom, they reply. American-style feminist demands will never be issues here.

"As long as they allow us study and to work," says Mandily. "I don't want to see Riyadh and her students have to work in one of the two professions the Saudis deem acceptable according to the Koran teaching and nursing, but for other women. The counts are gravely strained by a shortage labor in its rush to develop and the consequent pressure hundreds of thousands of job workers in its midst, but we make up less than 1 per cent of the work force—among the 10 female participation rates in the world. A small number are being into the job market in a government departments and, increasingly, with foreign companies in general Saudi men do want their women working who they may risk contact with men. They interpret the Koran support this outlook.

As a secretary, a woman's work behind a screen, and husband and family will be as of her protection.

Staggered Polygamy

For the overwhelming majority of Saudi women the prime career is marriage. The family is big and close and cousin marriages are the preferred match. Bride-prices—still paid by polygamy, which is allowed by the Koran, is an expensive rite nowadays. I ever, a man may still divorce wife by a simple declaration before witnesses, a benefit awarded to women, and this tradition has been called a "staggered polygamy." A divorced woman has no legal right her children after they reached the age of seven. There is little chance that customs will be modified, for are not part of a body of law, but of the Sharia, the Islamic code that is the law of the kingdom. In the lawless of the 7th century this marriage code was progressive, and so who consider that it is still safeguarded for their women phrase the words of the Prophet "The best among you is the who is best to his wife."

Life Is Good News and Bad News Western Expatriates

By Bob Lebling

JEDDAH (H.T.)—Despite the difficulties of living in a land of harsh climate and puritanical ways, foreigners are still flooding into this country. They are drawn by an unprecedented economic boom that holds the promise of "instant wealth" for all—from street-sweeper to corporate manager. Americans lead the stampede: bankers and teachers, military trainers and sports coaches, construction crews, oil roughnecks and nuclear physicists.

There are now about 30,000 Americans in Saudi Arabia, and the U.S. Embassy expects that figure to top 50,000 by 1980—provided that the new anti-Arab boycott legislation and proposed higher taxes on citizens working abroad do not cut into the American presence here. U.S. firms with large expatriate contingents here include Lockheed, Northrop, Raytheon, Whitaker and Vinnell. The kingdom has about 60,000 Europeans, including 10,000 Britons.

There is good news—and bad—for Western expatriates out to seek their fortunes in Saudi Arabia.

First, the good news: For

eight months of the year, the weather is ideal—plenty of sunshine and clear blue skies, temperatures are in the high 80s or low 90s (high 20s and mid-30s centigrade), with cool breezes after sunset. There are miles of unspoiled white-sand beaches, and the Red Sea offers the best snorkeling and scuba diving this side of Australia's Great Barrier Reef.

Foreign residents can sharpen up their tennis games or play a round of golf at one of several private clubs. They can shop for curios or souvenirs in the bustling souks or market places, and can spend their weekends exploring the desert, or visiting remote villages that have remained untouched for centuries. The kingdom is stable, tranquil, at times even serene—unhindered by many of the distractions of Western civilization.

Good Earnings

Best of all, there is the money. Many Western expatriates earn in excess of \$20,000 a year free of Saudi tax, plus company housing, education and holidays. Most claim they manage to quickly build a nest-egg which would take years to accumulate at home.

Now for the bad news: Western-style entertainment is in radically short supply here. Because of the strict, conservative religious ethic that governs the birthplace of the Islamic faith, there are no cinemas, nightclubs, bars or gambling casinos.

Alcohol is strictly forbidden. Even the major hotels are dry. A fifth of bootleg whiskey costs \$100—when it is available. Most expatriates have access to Sidgi (Arabic for "my friend"), home-distilled liquor that looks like vodka or gin, but definitely is an acquired taste.

Women Restricted

Social life is limited. Married couples tend to socialize within limited expatriate circles and there is little contact with Saudi families. Life is particularly confining for bachelors. "It's like living in a monastery," says a divorced Englishman working in Jeddah on single status.

Emotionally, an assignment is often toughest on wives. Western women everywhere in the Arab world complain that they are often left with time on their hands while their husbands at least get job satisfaction. But Saudi Arabia is probably the most

confining environment of all. Women are not allowed to drive there even if they hold valid driving licenses from other countries. This makes even a simple trip to the grocery store a nuisance.

American and European women stepping into this milieu experience emotions ranging from annoyance at the restrictions to a state of shock over the status of Saudi women. Most Western women live in company compounds where their husbands' employers go to great lengths to provide the games, clubs and amenities they hope will keep the women satisfied and give families a semblance of the lives they left behind.

When they tire of Mah-Jong and drafts games, many start listening-in on the job underground. Saudi and foreign companies are often anxious to have Western women for office work, even without hard-to-get working papers, although professional women rarely find jobs in their fields.

Housing costs can be staggering. It now costs between \$50,000 and \$60,000 to rent a three-bedroom apartment for one year, the U.S. Embassy estimates. Restoration costs and air-conditioning could add \$10,000 to

\$50,000 to the company's bill. Dividing up a villa into bachelor accommodations can bring the cost down to a still-hefty \$15,000 per person. In the oil-rich eastern province, the cost per man for long-term bachelor accommodations is somewhat lower—about \$4,000 a year, because more housing is available.

Firms which bring in short-term employees may spend as much as \$2,500 a month to house one employee in hotel-type accommodations.

Education Costs

Education is another major problem facing expatriates who bring their families to Saudi Arabia. Western elementary schools are scarce, expensive and overcrowded. Parents must send their children abroad to attend high school or university.

Apart from beach life and the lure of the unspoiled hinterland, Saudi Arabia has little to offer Americans and Europeans in the way of leisure-time activities. As a result, Western expatriates import their own entertainment.

A thriving videotape cassette business has sprung up in the kingdom. Private lending libraries and Western companies

provide tapes of the latest American and European television fare, including feature-length movies and sports events.

The videotape phenomenon, as popular among wealthy Saudis as it is among Western expatriates, reaches as far as the remote oil camps in the deserts of the Empty Quarter, where oil workers can relieve their boredom and isolation by turning on ABC's "Wide World of Sports" or films like "Star Wars" and "Looking for Mr. Goodbar."

Many of the larger Western companies provide recreational facilities for their employees. The Hochfeld compound, for example, includes a swimming pool, library, playground, discotheque, and Jeddah's first bowling alley. The introduction of Western leisure activities is inevitably having an impact on Saudi citizens. But so far this has not resulted in public pressure to open the country to American and European cultural influences.

Saudi officials point to urban violence and crime in the West, and wonder whether American and European films and television programs might undermine a religious-oriented social structure that keeps crime here to a minimum.

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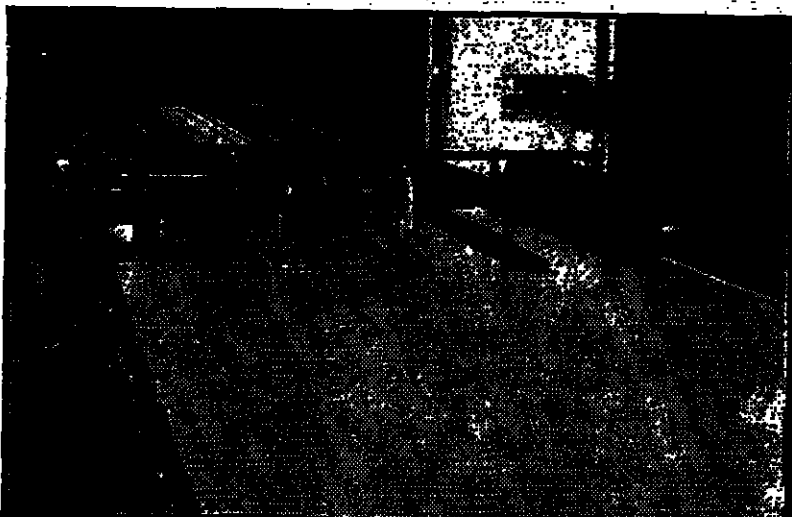
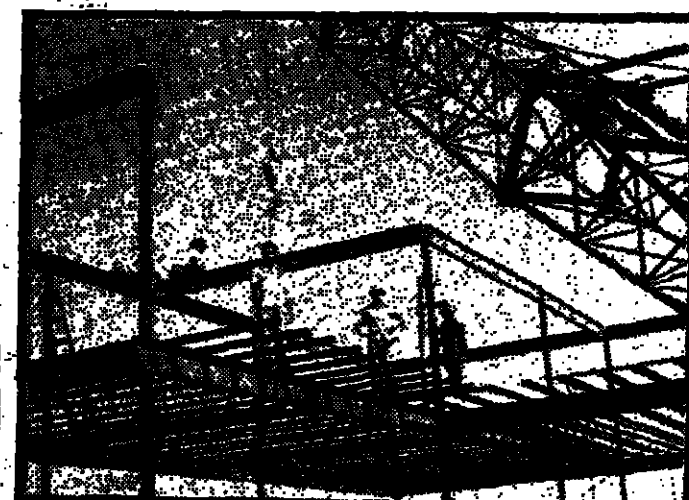
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JOB TITLE	SALARY	EMPLOYER	JOB LOCAT.	SOME OF THE QUALIFICATIONS	CANDIDATES SHOULD MAKE CONTACT WITH	ADVT. Source
SENIOR FINANCIAL ANALYST	Upper \$20's	Fast growing Fortune 200 consumer products Co.	New York City	MBA or equiv. bus. exp. with major ind. Co.; 2 yrs. int'l finance exp.; Eng. + Span. Fr. or Germ.	Box D-15, The Wall Street Journal, 22 Cortland St., New York, N.Y. 10007.	Wall Street Journal 1-2-78
SENIOR DATA PROCESSING CONSULTANT	\$65,000 +	Major Iranian firm.	Tehran	Advanced tech. degree with min. 8 yrs. heavy exp. data processing div't. incl. 3 in mgmt.	Mr. W.W. Higgins, Advanced Technology Services Inc., 1000 Connecticut Ave., N.W., Washington, D.C. 20036.	Wall Street Journal 1-2-78
MARKETING EXECUTIVE	Negotiable	Major manufacturer of Industrial Consumables	Switzerland 75% travel	Proven track-record in Comcon Markets exp. U.S.S.R., Russian, French, English and/or German.	Chiffre P. 22.3445, Publications, CH-1002 Lausanne.	I.H.T. 2-2-78
CORPORATE DIRECTOR OF AUDITS		French Int'l Group.	Paris	Senior level exp. major anglo-american audit firm; some industrial exp. Fr., Eng.	No. 28 HT 026, C.P.A., 69 Rue de Monceau, 75008 Paris.	I.H.T. 2-2-78
MANAGING DIRECTOR		European division of world leading printing plate manufacturer.	Europe	Strong proven track record int'l sales/mktg.; bus. mgmt. exp.; multilingual.	Box 1,013, Herald Tribune, 181 Ave. Charles-de-Gaulle, 92200 Neuilly, France.	I.H.T. 2-2-78
SENIOR CORPORATE BANKER	Negotiable	Int'l Bank, Denmark.	Copenhagen	Univ. deg.; min. 5 yrs' exp. similar pos. either in a bank in Denmark or abroad; Eng., Danish.	Mr. R.F. Forbes, Corporate Banking Group, Citibank NA, Nifield Place 34, 10767 Copenhagen K.	Financial Times 2-2-78
DIRECTOR AND CONTROLLER	£15,000	A.G. Roach & Partners.	Midlands	Mid 30s; proven success in total finance function; qual. accountant & a science degree.	Dr. A.G. Roach, A.G. Roach & Partners, 8 Hallow St., London W1N 5DJ.	Financial Times 2-2-78
SENIOR DEPOSIT BROKER	Competitive	Charles Fenton (Singapore) Ltd.	Singapore	Approx. 30; min. 4 yrs. broking exp. in dollar deposits in London market.	E.H.M. Davies, Deputy Chairman, Charles Fenton & Co. Ltd., 34-40 Ludgate Hill, London EC4M 7JT.	Financial Times 2-2-78
BRANCH WORKSHOP MANAGERS	£12-13,000	Construction, Mining, Mechanical Handling and Automotive equip.	Saudi Arabia	Exp. working in Middle East; Eng. + Arabic.	Ref. CP 19, Alfred Bates and Son Ltd., Westgate House, 9 Holborn, London EC1N 2NE.	Daily Telegraph 2-2-78
CREDIT MANAGER	£15,000 plus other benefits	Major commercial and engineering group.	Kuwait	30-45; accountancy/credit qual.; ext. exp. consumer finance field.	Telephone: Barbara Bailey, London (01) 235 7030.	Daily Telegraph 2-2-78
GENERAL MANAGER	Very attractive	Rapidly developing indigenous Co.	Nigeria	5-10 yrs. working exp. in Shipping & Forwarding industry & a Senior Capacity.	H.A.W. Consultants, Nigeria, P.O. Box 1829, Lagos, Nigeria.	Financial Times 3-2-78
CHIEF EXECUTIVE	£20,000 +	Elastic Rail Spikes Co. Ltd.	London	38-50; proven success in expanding profitability of large manufacturing org.; int'l mktg. bckgd.	Ref. 2035/FT, W.T. Agar, John Currier & Partners Ltd., 78 Wigmore St., London W1N 9DD.	Financial Times 3-2-78
FINANCIAL CONTROLLER		Hertz.	Frankfurt	35-45; full prof. acc'ty. qual.; exp. large public acc'ty. org. + 2-3 yrs. ind. or commercial bckgd.	W. Hück, Hertz Autovermietung GmbH, Mainzer Landstr. 129, 6000 Frankfurt. Tel.: 0611/25751.	Frankfurter All. Zeit. 4-2-78
BANKER SOUTH AMERICA		Major German Bank.	Brasil	Banking experience. Ability to make new contacts with government, ind., etc. German, Eng. + Span. or Port.	Deban Consulting, Unfermannstr. 34, D-Frankfurt/Main 1. Tel.: 0611/230876.	Frankfurter All. Zeit. 4-2-78
GENERAL MANAGER	Attractive	Subsidiary of U.S. Multinational Co.	Brussels	Fr., Eng.; 3-5 yrs. general bus. exp. in Europe.	Box D-0,000, Herald Tribune, 181 Ave. Charles-de-Gaulle, 92200 Neuilly, France.	I.H.T. 4-2-78
SALES MANAGER MIDDLE EAST		Major American manufacturer.	Middle East + travel	Eng., Arabic; some exp. in selling hardware, automotive and ind. accounts.	Box D-1,011, Herald Tribune, 181 Ave. Charles-de-Gaulle, 92200 Neuilly, France.	I.H.T. 4-2-78
MANAGER	Negotiable and free of tax	Money Market and short-term investments.	Abu Dhabi	Over 30 yrs.; min. 5 yrs. pract. exp. in analyzing and managing short-stated investments.	Ref. 906/HIT, W.L. Tall, Touche Ross and Co., 4 London Wall Buildings, London EC2M. Tel.: 01-588 6644.	I.H.T. 4-2-78
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ts Balk at Playing in Oakland; t Denies a Sale of Mets Looms

ve Seen Barred No Bid Received in N.Y.

By Nancy Scannell

NEW YORK, Feb. 10 (UPI)—Negotiations for the Oakland A's to move to New York City yesterday when the San Francisco Giants offered to play some Oakland-Alameda County Coliseum games in the A's. The offer appears to be a last-ditch effort to keep the team in Oakland, continuing their drive to win the World Series. The A's owner, Alvin Karpis, said he was not interested in the offer. "I'm still hopeful we can get a bid," he said. "So I call and tell them to get out of here. I'm still hopeful we can get a bid."

NEW YORK, Feb. 10 (UPI)—Mr. Donald Grant, the New York Mets' board chairman, said yesterday that he knew of no inclination among the baseball franchise's owners to sell the Mets to a group that would include Joe Namath. "You always hear about people who want to buy the Mets," Grant said, "but even the people in this group acknowledge that they haven't even talked to us about it."



NEW ROLE—Joe Namath, ex-pro football quarterback, appearing in new star role as basketball coach in TV series filmed in Los Angeles.

The group's spokesman is George Oppenheimer, a business adviser to Namath, the 34-year-old, one-time New York Jets quarterback who announced his retirement from football last month.

"We have not yet talked to the Mets," Oppenheimer was quoted as saying, "but we feel the club might be for sale soon. We are organizing this group in hopes we can sit down with them when they are ready to talk."

John Payson, the Mets' secretary and a member of their board of directors, said he was "not interested" in selling the club in the National League franchise.

Payson's sister, Mrs. Lorinda de Roulet, the Mets' president, was reported to be on a Caribbean cruise ship and unavailable for comment on the club's future.

"We have an agreement among ourselves," Payson said by telephone from Hobe Sound, Fla. "that none of the stockholders would sell his or her stock without the others' knowledge and consent."

The major stockholders in the Mets are Payson, Mrs. de Roulet, their father, Charles Payson, and Grant.

"This is not a troubled team, as some people like to say," Grant said. "We think we're one of the best teams in the league. We're in good shape financially and we think we have a good team."

Despite a last-place finish in the National League East last year, the value of the Mets has been estimated at \$20 million to \$25 million.

"There have been no discussions about selling the club," Payson said. "We went through some interior discussions back when there was talk of the team moving to New York City."

According to Jimmy Walsh, Namath's attorney and agent, the threat for a possible purchase of the Mets came from some unidentified Texas oil millionaire, not Namath. An unidentified New York advertising agency executive also was mentioned in the published report.

Chris Lewis of New Zealand eliminated Mark Cox of England, 6-3, 7-5, in a battle of unseeded players.

American Dick Stockton defeated countryman Peter Fleming 6-1, 7-4, 7-3.

Solomon, Smith Gain
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By Dave Anderson

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Would-be men's downhill skiers leaving the slopes of wind-blown Mont Blanc yesterday.

Winds Block World Cup Downhill on Mont Blanc

CHAMONIX, France, Feb. 10

(Reuters)—Gale-force winds gusting across the frozen slopes of Mont Blanc forced today's men's World Cup downhill skiing race to be postponed, and the event is in danger of being abandoned.

The organizers have rescheduled the race for early tomorrow, before the first leg of the men's slalom.

But the latest weather reports predict further snowstorms here in the French Alps tonight and so conditions tomorrow could force cancellation of the event. Officials ruled out holding the race over until Sunday because of the demand for hotel accommodations here in Chamonix. This weekend marks the start of the peak winter holiday season and the region's hotels are fully booked as of tomorrow night.

Tomorrow's slalom, held at a much lower altitude, is expected to go ahead as planned. The 62 downhill contenders from 16 countries today spent several hours cooped up in a cable car near the starting gate, 1,870 meters up the slopes of Mont Blanc, before officials decided that the wind was not going to drop and called off the race.

Beaten by Mayer, Unranked Player

Top-Seeded Gerulaitis Is Upset at St. Louis

ST. LOUIS, Feb. 10 (UPI)—

Vitas Gerulaitis, No. 1 seed in the \$175,000 St. Louis phase of World Championship Tennis tour, was eliminated yesterday in the second round by unseeded Sandy Mayer, 6-3, 7-6.

Mayer, Gerulaitis' regular doubles partner, had a nearly flawless attacking serve and volley during their third meeting in three weeks.

Mayer defeated Gerulaitis two weeks ago at the U.S. Indoor at Philadelphia but Gerulaitis avenged the loss last week in Richmond, Va.

Australian John Newcombe continued his comeback yesterday, entering the quarterfinals with a convincing 6-3, 6-1 victory over another unseeded player, American Tom Gullikson.

The 33-year-old, three-time Wimbledon champion needed less than an hour for his second straight triumph on his road back after an injury.

No. 8 seed Wojtek Fibak of Poland advanced to the quarterfinals by defeating Bob Hewitt of South Africa, 6-3, 6-4.

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fourth-seeded Rosie Casals, 5-7, 6-1, 6-2. Casals defeated Renee Richards Wednesday to get to the third round.

The other two semifinal spots will be decided tonight, when Navratilova faces seventh-seeded Kathy May and two unseeded players, Jeanne Russell and Maria Redondo, square off. Navratilova will be gunning for her 23rd consecutive match victory.

U.S. Tennis Leader Pledges To Play S. Africa, Laments It

NEW YORK, Feb. 10 (Reuters).—The president of the U.S. Tennis Association said yesterday that South Africa should withdraw from the Davis Cup because it has disrupted the international tennis competition.

"We feel South Africa should withdraw from Davis Cup and Federation Cup competition," USTA president W.R. Hester said in an interview by phone from his office in Jackson, Miss. "We feel they should withdraw because of the disruption they have caused to the play of Federation Cup and Davis Cup teams."

The United States is due to play South Africa in a Davis Cup match starting on March 15 in Nashville, Tenn.

The USTA headquarters here has received a number of requests, mainly from domestic groups, urging that the United States refuse to play South Africa because of its apartheid racial policies.

UN Votes Cited
One letter, from a group known as the South African Non-Racial Olympic Committee, claimed that the forthcoming match violates United Nations resolutions against apartheid in sports and is an affront to the South African people.

But Hester said the United States would play the match. "We do not feel that a Davis Cup match between the United States and South Africa will lessen to any extent the apartheid movement of South Africa," he said.

Soviet Invitation
NEW YORK, Feb. 10 (UPI).—The Soviet Union has announced that it will open its version of the Olympic trials, the Spartakiade VII, to foreign athletes for the first time next year and will invite as many as 2,000 athletes from five continents to compete against 7,000 Russian athletes.

College Basketball
East
Dickinson 77, Swarthmore 67.
C. Washington 74, Georgetown 74.
Mary 63, Catholic 58.
Navy 74, Mass. 62.
St. Peter's 55, Conn. 71.

South
Chattanooga 87, Tenn. Tech 75.
E. Carolina 80, UNC-Wilmington 65.
New Louisiana 71, S. Miss. 68.
Baylor-McCorm 71, Baylor-Snyder 66.
W. Va. St. 80, Wheeling 75.

Midwest
Indiana 65, Purdue 64.
Minn. 64, Wis. 55.
Mich. 55, Ohio St. 74.
Mich. St. 71, Iowa 67.
Western 72, Ill. 61.

Southwest
Ark. 80, Texas A&M 78.
Texas-El Paso 67, Ariz. 51.

West
L. Beach St. 80, Fullerton 64.
S. Jose St. 70, UC Irvine 67.
S. Diego St. 67, S. Barbara 71.
Wash. St. 57, Ore. 55.

NHL Results
Thursday's Games
Atlanta 4, Los Angeles 2 (Lysak, Hamilton, Mulhern, Simpson; Taylor, Goggin).
Boston 3, Montreal 2 (Bolderrey, Milne, Magnuson; Larocque, Tremblay, Bouchard).
Buffalo 3, N.Y. Rangers 0 (Perreault, Ramsey).
Philadelphia 5, Vancouver 2 (Dornhoefer, S. S. MacLachlan, Lonsberry; Verway, Goggin).
St. Louis 3, Detroit 3 (Miller 2, Milbury, Sheppard, Marcotte; Larson, Libbert, Nedomansky).

WHA Results
Thursday's Game
Houston 2, Quebec 1 (Taylor, Connor; Bagshaw).

Women's Coach Quits U.S. World Cup Team

CHAMONIX, France, Feb. 10

(AP)—John Bowerman, head coach of the U.S. women's ski team, resigned yesterday after the girls' final races in the European portion of the World Cup. No reasons were given for the resignation, but Hank Tauber, director of the team, said: "We knew it was coming for several weeks."

"I would rather not say anything about it until we know what we are going to do about it in several weeks," Tauber said. The American women's team placed three girls among the top 10 in the World Cup giant slalom in Megève yesterday and is now en route to the United States for a brief rest and to prepare for the World Cup races scheduled to be held in Stratton, Vt., and Waterville Valley, N.H., early next month.

Bowerman was not available for comment. He left immediately after yesterday's races, presumably to go to his home in Wenatchee, Wash.

U.S. team officials also declined to comment on Bowerman's resignation but outside ski sources said Bowerman left because of personal conflicts with Tauber.

Bowerman, 39, had been head coach of the American girls skiers for the last two years. A rodeo rider in his spare time, he is a graduate of the University of Oregon and the French national ski school and founded the Mission Ridge Ski Training Academy in Wenatchee.

"Frank, straightforward" Bowerman had trained the American girls for the 1976 Winter Olympics in Innsbruck, Austria, and for last week's World Alpine Championships in Garmisch-Partenkirchen, West Germany. The U.S. skiers achieved only mediocre results. Cindy Nelson of Lausell, Minn., held the top American rank in the World Cup, in 10th place without any hope of achieving premier honors this year.

"A lot of girls might have problems with John's approach," said Christine Cooper, of Sun Valley, Idaho, the American women's ski champion. "He's so frank and straightforward in the way he coaches and in the way he handles you off the hill too."

"I think it's good, in an honest way," Nelson, the team's veteran and

3 N.Y. Racetracks Lose Millions on Snow

NEW YORK, Feb. 10 (UPI).—The snowstorm that dumped close to two feet of snow here this week stopped a cash flow of more than \$8 million through the area's three racetracks.

The storm resulted in a loss of approximately \$700,000 for Aqueduct, Yonkers and the Meadowlands.

A Transatlantic Dispute

Lame Trotter Subject of a \$1-Million Suit

By Red Smith

NEW YORK, Feb. 10 (UPI).—Neville Thunders is a crippled trotting horse, but he belongs to either Charles Slutsky or Lloyds of London, depending on a number of things. He is a son of Neville Pride, the fastest trotter that ever lived, and when Stanley Dancer started driving Thunders he felt the colt had a chance to be better than his sire. As a 2-year-old Thunders won 18 of 31 races, including a dozen stakes, and set the fastest times of the year on tracks of all sizes. He was undefeated champion of his age group and drew 11 votes for Horseman of the Year, an unusually strong showing for a baby. Before the colt turned 3, Slutsky, who runs the Neville Country Club in the Catskills in New York, syndicated him as a stallion for \$1.5 million. Neville Thunders' \$1.5 million syndication is the top figure for a harness horse and Thunders' price set a record for a 2-year-old. The next summer, Thunders took a step wrong in the Hambletonian and broke his left foreleg.

"He probably should have been destroyed right then," Slutsky said this week. However, Dr. Thomas Pankin of Chicago, the veterinarian who treated the colt, said the injury would be a handicap as a lover, so a cast was put on the leg.

Slutsky had paid \$30,000 to insure the horse with Lloyds for stud service. The policy called for \$1 million if he should prove infertile.

Contrary to popular belief, Lloyds is not an insurance company. It is a market, something like the New York Stock Exchange, where underwriting members form syndicates to accept insurance business. Slutsky dealt with the Shulman agency of Monticello, N.Y., which in turn placed the policy with underwriters through a Lloyds broker in London. Under the terms of the policy, Rhulen, acting as American agent for Lloyds, selected Dr. Howard Gill, Larry Sauter and Jim Booth as a team to examine Neville Thunders for fertility.

The flunked him. The test was conducted in December, 1976. When the result was unsatisfactory, Slutsky paid back the members of Neville Thunders' syndicate and put in a claim for his \$1 million. A team of veterinarians came over from England.

Ugandan TKOs Ex-Champ Foster In Copenhagen

COPENHAGEN, Feb. 10 (Reuters).—Denmark-based Ugandan light-heavyweight Mustapha Waseh beat former world champion Bob Foster of the United States in five rounds here last night.

Foster, back in action after retiring an unbeaten champion in 1974, had to give up at the end of the fifth round with an injured right hand.

He had attempted to withdraw one round earlier but continued after protests from an angry crowd and an extended inter-round break.

Former European light-middleweight champion Joe Hernandez of Spain also retired in the fifth round of his fight, against another Danish-based Ugandan, Ayub Kalule.

Mike Everett of the United States knocked out Denmark's former European welterweight champion, Joergen Hansen, in the first round.

most successful racer, had similar praise for Bowerman. "For me, that's the way I like to be coached," she said. "We all react differently but I would say John knows how to coach each individual on the team."

Argentinians Dispute Cost Of World Cup

BUENOS AIRES, Feb. 10 (UPI).—The head of Argentina's World Cup organization has denied the finance minister's allegation that the 1978 championship soccer games will add to the nation's galloping inflation.

Antonio Luis Merlo, head of Ente Autarquico Mundial, said the money spent on the World Cup also will not add to the nation's fiscal deficit and suggested that the finance minister should resign.

Finance Minister Juan Alemann last week said that without the World Cup expenditures the nation would have a "smaller deficit, less monetary emission and less inflation."

Alemann also said the real cost of the World Cup will be about \$700 million, not the approximately \$30 million suggested by the Ente Autarquico Mundial.

"When an official, as in the case of Dr. Alemann, feels obliged to make public a difference of opinion he may have with another official, who has made a decision for which that official is responsible, the proper course is to take it in private and then make public his criticism," Merlo said.

Scott Warns Fans
GLASGOW, Feb. 10 (UPI).—A Scottish member of Parliament warned today that soccer fans who get into trouble at the World Cup finals in Argentina could be interned in concentration camps and never seen again.

Dr. Jeremy Bray, Labor MP for Motherwell, said fans must realize that in Argentina next June police and soldiers will use different tactics from those to which Europeans are accustomed.

"If hundreds of Scots football fans can find themselves in trouble at Wembley, then others will end up in the hands of police in Argentina," Bray said.

"The difference is that while in London and other European cities those arrested can be traced, in Argentina they can just disappear," he said.

Cup Candidates' Woes

BUENOS AIRES, Feb. 10 (UPI).—The Argentine Football Association's discipline board has suspended three players, including two members of the national team, for up to 20 matches for their behavior in the Argentine championships Jan. 25.

Little-Used, High-Paid Hurler Not in N.Y. Camp

man in No Hurry to Do Nothing Again

Jerry Chass

Feb. 10 (UPI).—Snowdrift dominates of the Ken Holtzman in Lincolnshire, Ill., can't move Holtzman any sooner.

I'd see if I could my affairs here and virtually invisible said by telephone. I've run into too many things, my hater are both sick of fu around here."

w, too. The town, he north shore of a about 35 miles ago, has been hit inches of snow this enough to make a y excuse to head Holtzman's case. He lion from the Yan-the early spring that started Wed-

remains at home belle, and 4-year-Robyn, planning into his van Feb. in Fort Lauderdale first official workers and catchers

The drive will give him two more days to wonder about his status this year.

"I don't know what to expect," Holtzman said. "I know there are a lot of pitchers. There are a lot back last year and they went out and got more, so I assume my role will be the same as last year or less, just based on mathematics."

Less than last year? It doesn't seem possible for someone earning \$165,000 a year to pitch less than Holtzman did last year.

In his 12th season in the major leagues, after having averaged 34 1/2 games and 237 innings per season, Holtzman, 31, appeared in 18 games for a total of 72 innings last year. That meant he earned \$2,917 for every inning he worked.

And he anticipates getting less work this year. Will he earn \$3,000 an inning, maybe \$5,000?

"I guess it's possible to get less," he said, "as you work your way down to zero."

Just as he did virtually every day last season, Holtzman has asked the Yankees this winter to trade him, to send him where he could be something other than a bullpen decoration.

Holtzman has in his five-year contract, which extends through 1980 with an option year in 1981, a provision giving him veto power over any trade. Earlier in that contract, he was particular about where he would allow the Yankees to trade him—preferably Milwaukee, but Chicago was all right, too.

Now, he was shuffled his thinking. "I told them I would be elastic, that I wouldn't be so rigid that I would veto any trade they came up with," said Holtzman, whose two victories last year were the lowest annual total he has ever had.

"I wouldn't blindly rule out anything mutually beneficial to both of us. But I've never had anything come back from them, so I have to assume they're not planning to do anything. I'll just go down and do my job, whatever that is."

If there is anything different about this season for Holtzman, it could be in the way he reacts to his status.

"I've probably reconciled myself more to the fact that this year could be the same as last," he explained. "Last year was unexpected. This year there will be no surprises. I assume it will be frustrating just to sit there and watch again, but at least there won't be any surprises that I won't be pitching much."

Holtzman has not pitched this winter—"I haven't pitched up to a baseball in a year and a half," he had quipped earlier—but he has kept in shape playing racketball and handball with some neighbors.



Ken Holtzman

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Art Buchwald Let's Talk Business

WASHINGTON—My friend Russell Baker of The New York Times has just written an article suggesting that if businessmen can deduct their three-martini lunches, blue-collar workers should be able to deduct their bologna sandwiches. Mr. Baker, who claims to represent the proletariat, although he is really a closet populist, once again has missed the point. He implies that while businessmen can eat from the taxpayer's trough, blue-collar workers are forbidden to do so. This is not so. The blue-collar worker is just as entitled to deduct his bologna sandwich as the executive is his Dover sole, providing the worker discloses business.

The IRS is very specific about tax-deductible lunches. You can deduct the meal if you discuss business that will be beneficial to a sale, inspire a deal or encourage you to a client for the rest of his life.

The trouble with blue-collar workers and other people who

brown-bag their midday meal is that they refuse to discuss their work while they're eating their sandwiches and drinking from their thermos bottles.

When you see two guys sitting on a grid 40 stories up munching away, you can be sure the conversation goes something like this:

"What did your wife make you?"

"A meatball sandwich with green peppers and onions and tomato sauce and lettuce and tomatoes. She don't have any imagination. What have you got?"

"Salami, goat's cheese, scallions, sesame seeds and mustard on rye, and a banana. How do you think the Yankees are going to do?"

"I guess it all depends if Reggie Jackson and Billy Martin talk to each other."

Now as far as the IRS is concerned this is not a business lunch. It's just two guys sitting on a grid 40 stories up and there is nothing in the way of a deal to come out of it.

On the other hand, if one of the men said to the other, "I'll give you my pickles if you let me use your blowtorch on No. 4 joint," and the other one responded, "OK, but I want a swig of your chicken soup, and I want you to get the foreman to buy me a new pair of gloves." That would be an acceptable conversation to deduct not only the men's sandwiches but the pickle and chicken soup as well.

The same holds true for secretaries. They can deduct their tuna fish salads and iced tea if they stick to business. But most secretaries at lunch prefer to tell each other what hankypanky X is committing with Y. The IRS is very tough about office gossip and will disallow any luncheon deductions where sex is the main topic of conversation.

By the same token if one secretary says to the other, "My boss gave me some vacation time this morning and I absolutely cannot miss 1 1/2 minutes of the tape," and the other says, "Did you have your foot on the pedal when you answered the phone?" and the first says "Yes," and then the second one says, "That will do it every time," the secretaries have met all the qualifications for a tax-free meal.

The point that I'm making and which Russell Baker misses is that the sandwich eaters have as much right to a deductible lunch as the person who eats at 21 or the Sans Souci as long as they keep a diary of whom they ate with and what business they discussed.

Both President Carter and Mr. Baker have been demeaning about businessmen getting a free ride at restaurants. But neither opinion-maker has mentioned that if guys on the grid talked business 40 stories up they could drink three free martinis, too.

'Killing one's father was a quite serious thing 40 years ago,' Claude Chabrol points out. 'Today, people get less upset about it...'

Violette Nozière: The Exemplary Murderess

PARIS (UPI)—The 1930s was a particularly rich decade in the annals of French crime, and among its headliners was Violette Nozière who, after one failed attempt, succeeded in killing her father and was sentenced to the guillotine, an awesome moment whose solemnity she broke by crying out in court, "Curses my father, curse my mother!"

"To the outraged gendarme who dragged her away, she shouted in one of her illuminating afterthoughts, 'Fetch my handkerchief with my powder, rouge, money. I must have dropped it in the prisoner's box.'" Janet Flanner reported in the New Yorker at the time. It must be said that Miss Flanner shows little feeling for V, as she calls her: "The best-educated, worst-mannered young murderess in French annals."

MARY BLUME

According to Miss Flanner, V's parents (her father worked on the railways) had educated her over their heads, a sacrifice V rewarded by giving her mother's engagement ring to a lover, by picking up men and finally by murdering for money. She was an irredeemably mediocre flapper, "take-silvered, hard-toothed and without any sense of the business of life."

In her wonderfully funny account, Miss Flanner further mocks V's clumsiness in the use of poison and alibis. Less discerning members of the public, however, were sufficiently exercised to try to lynch V and to make her the dread heroine of popular songs.

Serious Thing

"Killing one's father was a quite serious thing 40 years ago," Claude Chabrol points out. "Today, people get less upset about it."

Mr. Chabrol, France's sardonic specialist in screen crime, has just completed a film, "Violette Nozière," with Isabelle Huppert, who won raves for "La Cerisaie" in the title role. He agrees with Miss Flanner about V's poor manners, but not that she was stupid.

"She had an enormous ego and lived in an atmosphere of terrible mediocrity," he says. "Usually, such people become writers or artists and so escape to another world. Violette had no creative gifts and so, unable to escape her world, she had to suppress it."

When V received her terrible sentence to the guillotine it was less terrible than it sounded: "women were no longer executed so as to face life imprisonment. Violette was a model prisoner, married a prison employee, became the mother of five children and, except for her earlier far past, lived an exemplary life. "If women did such a thing," her eldest daughter stoutly said when informed of V's previous excesses, "then she must have been right."

Although it was generally accepted that V had also tried to poison her mother, Mr. Chabrol thinks not: "She just tried to put her to sleep." During the trial V claimed that her father had raped her, whereas her deeply offended mother said her father had seduced her. "I don't think he raped her, I think he seduced her," Chabrol says. V's mother forgave and possibly even forgot. At any rate in the 60s, when V's sentence had been commuted by no lesser judge of human frailty than President Charles de Gaulle, Mme Nozière went to spend her last years happily with her daughter and grandchildren.

While Janet Flanner states that V poisoned her father for his money, Chabrol feels that her motive was more complicated: "She killed because she had a need to be loved. Life unbearable," Miss Flanner says, she was a natural part and a born liar. Chabrol agrees at least with the last part: "She was a very gifted liar—she could say what people wanted to hear." She led a double life with great aplomb, using a tiny closet to change into the gaudy dress she wore to pick up men on the Boulevard Saint-Michel.

Chabrol became interested in Violette 15 years ago when the actor Pierre Brasseur, who had been in love with her, told Chabrol her story. "A kidnapping, our times, Chabrol's film is sympathetic to V. So, in her own time, were the



Chabrol and camera.

Surrealists. "They saw her as an exotic fish in an aquarium where she couldn't breathe," Chabrol says. Paul Eluard wrote a poem about the dreams of a young girl trapped in a tight, gray world and about how she "undid the frightful serpent's knot of blood relations."

By coincidence, the film Chabrol made before "Violette Nozière," and which just came out in Paris, is called "Blood Relations." It is in English and stars Donald Sutherland as the detective. Chabrol's previous attempts in English have not been happy: "The Twist" (with Ann-Margret and Bruce Dern) was, he says, a disaster from the first turn of the camera. "From before the first turn of the camera," he amends. "Blood Relations" was shot in Montreal so that Chabrol would feel more at ease despite working in a foreign tongue.

Crime and family ties are his usual themes. He does not like to be considered, as he often is, a social critic of the bourgeoisie. A very and detached man, he says what he wants is to stop people from ready-made judgments.

Uses Criminals

"That's why I use criminals, because people always condemn them at once. I think one shouldn't judge, one should try to understand. 'Le Bonheur' is a film that is especially close to my heart because the murderer was also sympathetic. I like to make good and evil, to show someone who is apparently bad and make people see he isn't necessarily bad. It's easier to do that with someone who kills than with someone who lies."

With Violette, Chabrol of course had someone who did both. There is also a slight paradox in her case that pleases him: "What sort of society condemns in 1933 and then says the crime had no importance in 1969?"

With both "Violette Nozière" and "Blood Relations" Chabrol is working with younger actors than usual. "I've rejuvenated my killers," he says. (His wife, Stephanie Audran, usually glamorous in his films, does not appear in "Violette Nozière" and wears a wrapper and curlers in "Blood Relations.") Chabrol himself was feeling a bit weary: "He had just finished 'Violette Nozière' that day. 'I am almost unconscious, as if I had just flown from Los Angeles to Paris. Now the rhythm will change, domestic problems will appear,' he says. "That's why I like to film: to be completely taken over by something else."

PEOPLE: Linus Pauling Wins Top Soviet Award

The Soviet Academy of Sciences has given its highest award, the Lomonosov Gold Medal, to Nobel Prize-winning American scientist Dr. Linus Pauling, according to Tass. The 1977 medal is "in recognition of his achievements in chemistry and biochemistry." Tass said, adding, "(Pauling) is an active peace champion." The medal is given annually to a foreign and a Soviet scientist. The Soviet winner was Mikhail Lavrentyev, founder of the Siberian branch of the academy, who was hailed for putting advanced theoretical research into practical use.

In Graz, Austria, a judge fined Peter Gensher, 30, a tuberculosis patient, \$450 for slipping out of the hospital to buy a drink. The judge said that because of his disease he had recklessly endangered the public by his action.

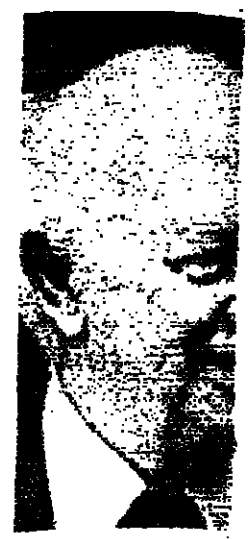
An original typescript by George Bernard Shaw of his play "Heart-break House" will be auctioned by Christie's in London March 8. It is expected to raise \$20,000 to \$25,000 for London's Royal Academy of Dramatic Art. The play, written in 1917, is a satire on English society and Shaw considered it his finest work.

Silvia Jean Brown, tired of keeping house and raising children in Houston, wanted to enrich her life so she took a .38-caliber pistol, a .45-caliber automatic and sawed-off shotgun and began a five-year one-woman crime wave. The 35-year-old redhead, caught last August, was convicted of seven armed robberies, two forgeries and a burglary and sentenced to 25 years in prison. She said the only thing she regretted was the suffering of her family. "The thing that makes me mad is when police say like I couldn't do it all by myself without some man's help. My femininity is the element of surprise. You should see the look on their faces when I pull a gun and tell them what I want."

After a four-year legal battle, a court official has won his battle against the city of Helsinki for a new pair of trousers. He tore his trousers on a broken drawer handle while dealing with a client in court. He demanded compensation and city authorities refused. An appeals court ruled the city will have to pay \$87 for the trousers and an undisclosed sum for legal costs.

Henrietta van der Kleauw, 21, daughter of Dutch Foreign Minister Christopher van der Kleauw, will be crowned queen of the 25th annual Azalea Festival April 22 in Norfolk, Va. Festival chairman William Rachels said this year's silver-anniversary festival will honor NATO.

Chloe, a three-year-old beagle, used having a home where the Buffalo, N.Y., team at Mackinac Island Riding Mountain Park but after the snow, she's glad to be going back to Ardley, N.Y. She



Dr. Linus Pauling

escaped from owner Fred Becker while taking photographs last July. She dodges chas who tried to trap her in a food-filled trap, but clearing crew caught this week when her got bogged down. Incident George Be "It's quite remarkable lived," noting that in January were 50 He said he thought on mice, rabbits a She's flying home

Charles Colson, an mer President Ric was hit in the face late last week by a bullet as he entered the San Francisco Hotel after speaking in front of young presidents. The pie by Jayson Wechter, lance writer, who s because "I always able to tell my t that I hit a Waterg for with a pie."

Retiring FBI dire Kelley is considering mayor next year. town, Kansas City, City Star reported view with Kelley in "I want to do wh Kansas City," said mer police chief "Kansas City has me. I would like Friends have a real good chance he hasn't decided

Mrs. Blanca Mills partial plate of six Mardi Gras parade leans, says she's cause city cleanup they've found a dentures. City Sar for Pat Koloski s know how the cre were female dentu Miller is sure they said she took them them in her pocket were hurting and anybody else as stu —SAMUE

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